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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 adopted by the Governing Council at its twenty-ninth session, this report describes progress achieved in measures undertaken by the Administrator to strengthen the pre-investment role of UNDP, with particular reference to the biennium since the thirty-first session of the Council.

Among these measures are the special relationships established by UNDP with various sources of development finance to promote linkages between UNDP-assisted pre-investment activities and follow-up investment. Also described in the report are the co-operative arrangements established between UNDP and executing agencies to enhance the investment potential of UNDP-assisted projects and to promote them with sources of finance. A further measure discussed is the use of umbrella projects as a flexible mechanism to implement pre-investment studies.

The report provides an update on the status of reimbursable aid mechanisms, including the Investment Feasibility Study Facility, under which special programme resources are used to finance, on a reimbursable basis, feasibility studies for investment projects. Also discussed are the Caribbean and African Project Development Facilities, which are designed to assist in identifying, preparing and promoting investment projects.

The report further deals with training in investment development undertaken jointly with the World Bank and the Asian Development Bank.

Introduction

1. This report responds to Governing Council decision 82/9, in which the Administrator was requested to submit biennially a progress report on pre-investment activities. The first report was submitted to the thirty-first session of the Council in June 1984. Particular attention is given in this report to the various measures undertaken by the Administrator to strengthen the pre-investment role of UNDP, with special emphasis on the 1984-1985 period.

2. At previous sessions, the Governing Council invited Governments to give priority to pre-investment activities in their country programmes. In conformity with the decisions of the Council and its own mandate as expressed in the Consensus, UNDP continues to provide assistance and advice to Governments on behalf of the United Nations system in this regard. Such consultations with Governments and co-operation with agencies have facilitated the formulation and implementation of pre-investment projects and, importantly, their association with sources of development finance early in the project cycle so as to increase the prospect for the realization of follow-up investment.

I. INVESTMENT COMMITMENTS

3. Reported investment commitments from all sources of finance (domestic, multilateral or bilateral, public or private) related to UNDP-assisted pre-investment projects (category A) and investment-oriented projects (category B) have increased from \$6.6 billion in 1982, at the start of the third programming cycle, to \$9.3 billion in 1984, as detailed in Table 1 below. It may be noted that about half of the commitments for each of these years, 1982 through 1984, came from domestic sources; about 30 to 40 per cent from multilaterals; and the remaining from bilateral sources. Most of these reported investment commitments (about 93 per cent) originated from the public sector; the rest came from private sources.

4. Also during this period of the third cycle (1982-1984), the number of development finance institutions with which UNDP has established special interest or co-operative arrangements rose from 7 to 10. The amount of investment commitments reported for these institutions relating to UNDP-assisted pre-investment projects (category A) and investment-oriented projects (category B) is shown in Table 2. It may be observed that the amount of investment commitments reported for development finance institutions moved up from \$2.4 billion in 1982 to \$2.8 billion in 1984, reflecting an increase of approximately 17 per cent. The World Bank continues to be the largest single source of follow-up finance for these commitments, followed by the Asian Development Bank and the Inter-American Development Bank.

5. These increases in investment commitments may be attributed to the emphasis given by UNDP to pre-investment activities in the programming process and also to more comprehensive reporting of investment commitment data by an increasing number of development finance institutions and agencies.

Table 1 - Reported investment commitments as follow-up
to UNDP-assisted projects, 1982-1984^{a/}

(Billions of U.S. dollars)

<u>Year</u>	<u>Category A^{b/}</u>	<u>Category B</u>	<u>Total</u>
1982	3.3	3.3	6.6
1983	3.9	2.5	6.4
1984	5.6	3.7	9.3

Source: UNDP reports on investment commitments related to UNDP projects, 1982-1984.

a/ The amount of investment commitments related to such projects during 1985 will be, as usual, incorporated in the Annual Report of the Administrator for 1985.

b/ The relationship between UNDP-assisted projects and reported investment commitments are classified as follows:
Category A relates to reported investment commitments for which the UNDP-assisted project carried out micro-type pre-investment studies such as identification studies, pre-feasibility studies, feasibility studies, final engineering and design, etc.
Category B relates to reported investment commitments which resulted from UNDP-assisted macro-type studies such as general area or regional planning studies, sector or subsector development studies, natural resources surveys, master plans, etc.

Table 2 - Reported investment commitments for development finance institutions
with which UNDP has co-operative arrangements
and for other sources, 1982-1984

(Millions of U.S. dollars)

<u>Name</u>	<u>1 9 8 2</u>			<u>1 9 8 3</u>			<u>1 9 8 4</u>		
	<u>Cat. A</u>	<u>Cat. B</u>	<u>Total</u>	<u>Cat. A</u>	<u>Cat. B</u>	<u>Total</u>	<u>Cat. A</u>	<u>Cat. B</u>	<u>Total</u>
African Development Bank	15.3	11.2	26.5	57.1	0.1	57.2	68.3	-	68.3
Asian Development Bank	199.1	154.0	353.1	204.3	3.1	207.4	180.7	176.4	357.1
Caisse Centr.Coopération Economique	-	-	-	15.1	7.1	22.2	11.2	-	11.2
Caribbean Development Bank	-	-	-	3.0	-	3.0	1.5	-	1.5
European Community	5.9	4.6	10.5	29.5	4.8	34.3	54.2	30.0	84.2
Inter-American Development Bank	56.3	28.0	84.3	168.5	-	168.5	205.4	105.3	310.7
Intl. Fund for Agric. Development	6.9	38.5	45.4	11.6	34.9	46.5	7.0	16.0	23.0
<u>World Bank</u>	<u>722.3</u>	<u>1155.9</u>	<u>1878.2</u>	<u>1124.7</u>	<u>1178.5</u>	<u>2303.2</u>	<u>854.2</u>	<u>1060.3</u>	<u>1914.5</u>
IBRD	605.9	903.9	1509.8	694.4	525.0	1219.4	290.8	928.4	1219.2
IDA	116.4	252.0	368.4	430.3	653.5	1083.8	563.4	131.9	695.3
Total DFIs/co-op arrgmt.	1005.8	1392.2	2398.0	1613.8	1228.5	2842.3	1382.5	1388.0	2770.5
<u>All other commitments</u>	<u>2253.3</u>	<u>2046.7</u>	<u>4300.0</u>	<u>2349.0</u>	<u>1255.0</u>	<u>3603.9</u>	<u>4243.2</u>	<u>2335.8</u>	<u>6579.0</u>
Grand total	3259.1	3438.9	6698.0	3962.8	2483.5	6446.2	5625.7	3723.8	9349.5

Source: UNDP reports on investment commitments related to UNDP projects, 1982-1984.

II. STRENGTHENING OF RELATIONSHIPS WITH DEVELOPMENT FINANCE INSTITUTIONS

6. In order to promote linkages between pre-investment and investment, UNDP has, as noted in paragraph 4 above, established special interest arrangements as well as executing-agency agreements with various sources of development finance. Under the special interest arrangements, UNDP field offices distribute drafts of country programmes and project documents to development finance institutions, particularly for pre-investment projects. After examination of these submissions or on their own initiative, development finance institutions may express interest in projects and may comment on the project design or the relationship of the project to activities of the development finance institution. For those projects in which an interest is expressed, UNDP, with Government concurrence, will keep the institution informed of the project status. In this manner, the institution can monitor project execution and, as appropriate, provide advice concerning activities needed to facilitate appraisal of an investment opportunity. Once investments are committed by these development finance institutions as a follow-up to UNDP-assisted pre-investment projects, such data is compiled annually by UNDP, as illustrated in the aggregates of Table 2.

A. World Bank

7. The effects of UNDP/World Bank collaboration are reflected in the amount of investment commitments provided by the Bank for the years 1982-1984, as it appears in Table 2. With commitments of some \$1.9 billion in 1984, the Bank was the largest source of follow-up investment for UNDP-assisted projects. Half of this amount resulted from Bank-executed projects and the other half from projects executed by other agencies.

8. The World Bank was designated as executing agency for 25 UNDP-assisted projects in 1984 and for 40 such projects in 1985. UNDP funding for these projects amounted to about \$7.4 million in 1984 and some \$15.4 million in 1985. A number of these projects (i.e., four in 1984 and about ten in 1985) focus on the preparation of investment projects which are expected to result in follow-up investment.

9. Included among the UNDP-assisted World Bank-executed projects implemented during 1984-1985 were various energy-related studies carried out under the auspices of the multi-donor funded UNDP/World Bank Energy Sector Management Assistance Programme (ESMAP). From the inception of the Programme in April 1983, through the end of December 1985, some 15 pre-investment studies emphasizing improvements in the efficiency of energy use and the utilization of new and renewable energy sources were completed. In addition, some 30 other pre-investment studies were ongoing by the end of 1985. To date, these studies have identified potential investments of approximately \$500 million. Of this amount, actual commitments of \$250 million have been secured from the World Bank and other sources.

B. Asian Development Bank (AsDB)

10. Since the establishment of the special interest arrangement in 1980 and increased collaboration between UNDP and AsDB on programming matters, the number of UNDP-assisted AsDB-executed technical assistance projects has increased to 47, from 34 such projects approved during the 1970s. Sixteen of these, approved during the 1980-1985 period, focused on the preparation of investment projects for 10 of which Bank loans were provided, amounting to some \$268 million out of a total estimated project cost of \$419 million. These loans were approved for projects in five countries with emphasis on the development of agriculture, power, roads and small

town infrastructure. The amount of these AsDB loans, as well as those prepared with UNDP-financed technical assistance executed by other agencies, are included in the investment commitment data compiled for the Annual Report of the Administrator (see Table 2). Of the remaining AsDB-executed technical assistance projects, it is likely that one or more will lead to further Bank loans. Other loans are also expected to be prepared by UNDP-assisted AsDB-executed technical assistance under consideration for approval and implementation during the 1986-1987 period.

C. Inter-American Development Bank (IDB)

11. UNDP and IDB concluded a special interest agreement in 1980. Based on subsequent efforts to enhance the joint programming process, IDB is co-financing with UNDP a number of country and regional projects, including several pre-investment projects, through Bank grants from non-reimbursable technical assistance funds and loans to Governments for project cost-sharing. During the first four years of the third cycle, 1982-1985, some nine UNDP-assisted projects have been approved, for which cost-sharing of some \$13.8 million was provided as a result of IDB financing. This compares with only five such projects being similarly assisted during the second cycle, 1977-1981, with cost-sharing amounting to \$3.3 million.

D. African Development Bank (AfDB)

12. A special interest arrangement was initiated between UNDP and AfDB in 1979. Notable among the steps taken by UNDP in consultation with AfDB to strengthen co-operation is the utilization of the UNDP office in Abidjan, where AfDB is located, as a designated focal point to promote co-ordination of activities between UNDP, particularly at the field level, and AfDB. Also, country programmes and country programme management plans are transmitted to AfDB 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. As noted in paragraph 44, UNDP and AfDB have agreed to organize their first joint training workshop on investment development in early 1987.

E. International Fund for Agricultural Development (IFAD)

13. Under the terms of the special interest arrangement, staff of IFAD and UNDP field offices regularly exchange information on projects, programmes and activities of mutual interest. For example, during the 1984-1985 period, IFAD missions continued as a standard practice to consult with UNDP field offices, while UNDP staff, especially resident representatives, visited IFAD headquarters in Rome. Altogether, some 50 meetings were recorded during the biennium between the two organizations. Collaboration during the biennium between UNDP and IFAD has led to reported IFAD follow-up financing for water supply, rural development, and agricultural credit projects for which UNDP provided preparatory assistance.

F. European Community (EC)

14. UNDP and the European Community initiated an arrangement in 1977 which emphasized consultation between staff of UNDP field offices and delegations of the EC located in the African, Caribbean and Pacific (ACP) States (signatories to the Lomé conventions), with a view to strengthening collaboration on projects and programmes of mutual interest. Through this process it is intended 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. As reported in Table 2, there was continuous growth in investment commitments between 1982 and 1984, with commitments increasing nearly ninefold during those years.

G. Nordic Investment Bank (NIB) / Nordic Project Fund

15. Since the initiation of a co-operative arrangement in 1983, UNDP and the NIB/Nordic Project Fund have discussed, both at the headquarters and at the field level, possibilities for collaboration with regard to a number of projects in various sectors. By the end of 1985, several projects were under study for co-operation, including geothermal development, the co-financing of a feasibility study for a pulp and paper project, and follow-up financing for several agricultural development/agro-industrial projects. However, no follow-up investment to UNDP-assisted pre-investment projects has as yet been realized.

H. Caisse Centrale de Coopération Economique (CCCE)

16. The Caisse Centrale de Coopération Economique, which is owned by the French Government, has provided, under a co-operative arrangement concluded in late 1982, follow-up investment, often on a basis of co-financing with a number of multilateral and bilateral sources, for several projects prepared with UNDP assistance. For example, during the 1984-1985 period, financing was provided for a regional hydroelectric project in Africa at a total estimated cost of \$127 million. Of this amount, \$113.7 million was provided by multilateral and bilateral sources, including CCCE, which loaned some \$10.7 million. Another project prepared with assistance provided by UNDP was for the expansion and modernization of a telephone system in the Caribbean at an estimated total cost of \$26.7 million. Of this amount, CCCE provided some \$11.2 million.

I. Islamic Development Bank (IsDB)

17. In September 1985, UNDP and the Islamic Development Bank initiated a special interest arrangement which emphasizes the establishment of linkages between UNDP technical co-operation and IsDB follow-up investment. Several investment projects identified or prepared with UNDP-assistance have already been brought to the attention of IsDB as potential candidates for future financing.

J. United Nations Capital Development Fund (UNCDF)

18. Emphasis is given to ensuring full co-ordination and complementarity between UNDP pre-investment activities and UNCDF concessional financing for the implementation of small-scale capital projects in the least developed countries. In this regard, Governments, the UNDP resident representatives and UNCDF staff collaborate to identify projects suitable for UNCDF financing, i.e., investment projects designed to bring early and direct benefits, particularly to low-income and other vulnerable groups. UNCDF became fully operational in 1975 and had approved, by the end of December 1985, financing amounting to \$364.5 million for 285 projects. Forty-four of these projects, financed by UNCDF at a cost of \$57.7 million, came as a follow-up to UNDP pre-investment projects, and fourteen of these were financed during the 1984-1985 biennium in an amount of \$29.2 million.

III. CO-OPERATIVE ARRANGEMENT WITH AGENCIES

19. Since 1979, UNDP has entered into co-operative arrangements with seven United Nations agencies. These arrangements call for the application of managerial and techno-economic expertise by agencies, usually in the form of review or monitoring missions, to assess the investment potential of ongoing or completed UNDP-assisted projects. These missions are to re-orient projects where necessary so that they produce data resulting in the identification and/or preparation of investment projects.

20. Proper project design in combination with interventions of agencies under the co-operative arrangements has resulted in the identification and/or preparation of a number of investment projects for which follow-up financing has been obtained or is contemplated. While it is recognized that Governments have established priorities for the use of the Indicative Planning Figures (IPF), their willingness to allocate relatively small sums (i.e., from \$15,000 to \$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. Food and Agriculture Organization of the United Nations (FAO)

21. During the period from the initiation of the UNDP/FAO co-operative arrangement in 1979, to the end of 1985, 126 UNDP-assisted, FAO-executed projects have been monitored by the FAO Investment Centre. This has resulted in the identification of 60 investment projects. By late 1985, 23 of these projects in 14 countries had been prepared with Investment Centre assistance; follow-up investment of some \$457 million has been approved. Of this amount, \$274 million was provided from multilateral and bilateral sources of finance. Of the remaining 37 projects, 25 with investment requirements of around \$300 million are in various stages of preparation. Sources of finance have expressed interest in 21 of these projects, and it is expected that financing will be approved for some of them in 1986.

22. It may be noted that from the start of the co-operative arrangement in 1979 until the end of 1983, follow-up financing of about \$312 million had been approved for 11 projects. During the 1984-1985 biennium, the amount of investment generated for projects assisted under the co-operative arrangement increased by an additional \$145 million, approved for 10 projects.

23. In order to identify projects with investment potential which could be assisted under the co-operative arrangement, the Investment Centre is continuing its efforts to increase the screening of projects, particularly those under formulation by other units at FAO headquarters. By this means, the Centre may introduce design changes in project documents including, as appropriate, provision for Investment Centre monitoring missions. Such action taken during the formulation of projects tends to reduce the need for unforeseen missions during project implementation. However, the need for a mission may become apparent only during implementation, thereby requiring a revision of the project.

B. World Health Organization (WHO)

24. From its inception in 1980, until the end of 1985, three missions had been mounted under the UNDP/WHO co-operative arrangement. The most recent of these missions was carried out in 1985 to review and revise plans for the development of

public water supply and sewerage infrastructure in Suriname. The mission identified, within the context of a ten-year plan (1986-1995), investment priorities and technical assistance requirements for the further development of rural and city water supply and the sewerage sector. A multilateral source of finance has expressed interest in some of these priority investment projects.

C. International Labour Organisation (ILO)

25. The co-operative arrangement with ILO was established in 1981. Missions mounted in co-operation with the ILO Investment Unit during 1982-1983 assisted in the preparation of two projects for which follow-up financing was approved in 1984. For one of these projects, in Malawi, \$18.2 million has been provided for the development of urban housing. Of this amount, a credit of some \$15 million was granted by the International Development Association (IDA) and \$3.2 million furnished by the Government and local entities. The UNDP/ILO mission provided various recommendations bearing on the preparation of this project, with particular reference to the training of small contractors. For the second project, in the Sudan, credits of \$15.4 million were provided by the IDA and \$3.2 million was furnished by the Government for the development of education. The UNDP/ILO mission carried out a review of a national vocational training scheme and identified priority areas for which assistance was required, including the expansion of vocational training capacity and institutional support.

D. United Nations Department of Technical Co-operation
for Development (UNDTCD)

26. Since the inception of the UNDP/UNDTCD co-operative arrangement in 1981, UNDP has reviewed and commented on a number of investment proposals linked with UNDP-assisted projects. During the 1984-1985 period, activities have included the provision under the co-operative arrangement of pre-investment assistance to three projects, as follows:

(a) Based on the outcome of UNDP-assisted groundwater studies and development projects, a mission was mounted during late 1984 to prepare a cost-recovery scheme for small-scale irrigated perimeters in central Mali. The Government is considering the application of this cost-recovery scheme as a means of stimulating the interest of sources of finance in the possible expansion of irrigated areas;

(b) Another mission, mounted in March 1985, carried out a socio-economic survey to assess the effects of ongoing hydraulic projects on the inhabitants of selected villages in Cape Verde. The Government is considering the use of cost-recovery schemes related to these projects in formulating new policies for water planning and management which could stimulate the interest of external sources of finance;

(c) During 1985, the services of an expert were provided to complete the preparation of preliminary designs and cost estimates to rehabilitate existing water supplies and to construct new water supply schemes in Dominica. It is expected that follow-up financing will be approved by a bilateral and a regional, multilateral source during 1986 for both the rehabilitation and construction of new schemes.

E. United Nations Educational, Scientific and Cultural Organization (UNESCO)

27. Initiated in 1981, collaboration between UNDP and UNESCO under the co-operative arrangement has consisted of consultations concerning a number of UNDP-assisted, UNESCO-executed projects and the provision of technical assistance to a Central American educational and cultural co-ordinating group (CECC). The focus of the assistance to CECC has been on the preparation of a study during 1985 for the establishment of a fund to finance projects within the framework of a subregional action plan designed to strengthen the educational sector in Central America and Panama. During a subsequent phase, advice will be provided to CECC regarding negotiations to procure finance for the fund from identified sources.

F. United Nations Industrial Development Organization (UNIDO)

28. Since the establishment of the UNDP/UNIDO co-operative arrangement in 1981, the two organizations have consulted frequently on a number of projects. However, missions were not considered necessary for these projects. Within the context of continuing collaboration, projects are reviewed periodically and review missions are under consideration for 1986.

G. United Nations Centre for Human Settlements (UNCHS)

29. A new initiative was undertaken in 1985 with the signing of a co-operative arrangement between UNDP and UNCHS. It is expected that missions will be mounted under this arrangement to review and re-orient technical co-operation projects to facilitate the preparation of pre-investment data of interest to sources of finance.

30. Based on the results under the co-operative arrangements with agencies, it is evident that the UNDP/FAO arrangement has been the most successful, both in realizing substantial follow-up investment as well as identifying a significant number of investment projects which are at various stages of preparation. There can be little doubt that the main factor contributing to the positive results obtained under the UNDP/FAO co-operative arrangement is the existence of a well-staffed and experienced FAO Investment Centre, which can apply the managerial and techno-economic expertise necessary for the identification, preparation and promotion of investment projects with sources of finance. It is suggested that an important determinant in the ability of other agencies to contribute successfully to follow-up investment will be the degree to which they are able to utilize their substantive expertise, in a similar manner, to identify, prepare and promote investment projects.

IV. UMBRELLA PROJECTS

31. Under the concept of umbrella projects, endorsed by the Governing Council in its decision 78/6, several prospective pre-investment studies are packaged together and approved as a single project, financed from the country programme resources. The main features of this approach are simplification and flexibility, which allow for appropriate substitution of pre-investment studies as required by changing priorities. Moreover, through the umbrella mechanism, UNDP is able to respond promptly to meet Government needs for pre-investment studies as well as to ensure the association of sources of finance with such studies.

32. The results achieved as of the end of 1985 by various umbrella projects executed by the World Bank and the Asian Development Bank are summarized below.

(a) Projects executed by the World Bank

- (i) In Burma, BUR/74/024, Pre-Investment and Investment Assistance, and its subsequent phases, BUR/79/003, and BUR/81/004, with a total UNDP contribution of \$8.45 million, have so far led to follow-up investment amounting to some \$548 million for 10 projects in various sectors (e.g., power development, agriculture, industry, and transportation) from multilateral, bilateral and Government sources. Additional investments are expected to be generated, based on these umbrella projects.
- (ii) In Sri Lanka, SRL/77/012, Multi-Sector Programme of Project Preparation, completed in 1985 with a total UNDP contribution of \$3.0 million, led to some \$140 million of follow-up investment from multilateral, bilateral and domestic sources for four projects in the agricultural and industrial sectors.
- (iii) Another project in Pakistan implemented during 1981-1984, PAK/81/004, Investment Project Preparation in Water, Agriculture and Energy Sectors, with a UNDP input of \$4.0 million, has so far generated an impressive \$830 million of follow-up investment from multilateral, bilateral and domestic sources. Additional follow-up investment is envisaged. Based on the results of this project, a second phase is under consideration for approval in 1986.
- (iv) In China, the World Bank-executed project, CPR/80/072, Preparation of Investment Projects, was approved in 1981 with a UNDP contribution of \$1.4 million; it was completed in 1985. The investment 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 agriculture, education, and research projects. Of this sum, about \$400 million was furnished from World Bank loans and credits. Financing of a hydropower project, for which a feasibility study was also prepared under CPR/80/072, is expected to more than double the total amount of follow-up investment so far generated. A subsequent umbrella project for China is under consideration at this time.

(b) Projects executed by the Asian Development Bank

Achievements under a UNDP-assisted AsDB-executed umbrella project are also noteworthy. One such project, BUR/78/028, Multi-Sectoral Programme of Project Preparation, approved in 1980 and completed in 1983 with a total UNDP contribution of \$1.5 million, has so far generated follow-up financing from the Bank and Government sources in an amount of \$94.3 million for two projects in the agricultural and transportation sectors. In view of this successful experience, a subsequent AsDB-executed umbrella project, BUR/82/005, was approved in September 1983 for a four-year period, with a UNDP contribution of \$2 million. Two investment projects have so far been prepared with assistance provided under BUR/82/005, while others are under consideration.

V. REIMBURSABLE AID ARRANGEMENTS

33. UNDP has initiated two reimbursable aid mechanisms to extend the use of UNDP resources to finance pre-investment studies. The first makes use of the IPF to finance UNDP-assisted pre-investment projects in which financial institutions may express special interest. Once such interest is declared, an understanding would be reached between the Government, UNDP and the development finance institution, that the cost of the study will be reimbursed to the country's IPF if the pre-investment study leads to an investment. Such reimbursed funds would thus become available to finance other UNDP-assisted projects. If the study does not result in an investment, its cost is considered as a grant and assumed under the IPF. Agreements were reached on the use of the reimbursable aid mechanism between UNDP and IDB, and between UNDP and the Caribbean Development Bank, during 1980 and 1981 respectively, while other development finance institutions such as the International Finance Corporation (IFC) have preferred to consider reimbursable aid on a case-by-case basis.

34. For example, during 1985, IFC completed appraisal of an investment project based on a subcontracted feasibility study, URU/84/008, prepared early in the same year and financed under the IPF on a reimbursable basis. The study focused on the modernization of a wool mill in Uruguay, which manufactures finished products mainly destined for export. Pending clarification of outstanding financial issues, an investment is expected to take place during 1986, following which, the cost of the feasibility study will be reimbursed to country programme resources. Several other pre-investment studies are under consideration for reimbursable financing during 1986.

35. The second reimbursable aid mechanism is the Investment Feasibility Study Facility (IFSF), which was established as a result of Governing Council decision 82/9 to assist the Governments, primarily of least developed countries, to finance feasibility studies for projects of high priority. A special account was established with \$1.0 million from Special Programme Resources for this purpose during the third programming cycle, 1982-1986. The Facility was to be used only when the cost of investment feasibility studies could not be met out of country programme resources. Moreover, financing from the Facility would be conditional on acceptance by its sponsors to reimburse the Facility for the cost of the investment feasibility study from investment generated as a result of the study.

36. Since 1984, when the Facility became fully operational, six pre-investment studies have been prepared at a total cost to UNDP of about \$255,000. These studies have focused on agricultural and industrial sector investment projects, for some of which it is expected that follow-up financing will be provided in due course, with reimbursement of study costs to UNDP. For the cost of one of these studies, a first-phase land reconnaissance survey for a cotton farm, UNDP has been reimbursed in an amount of \$15,000.

37. Inasmuch as the Facility has been fully operational only since 1984, additional time is required to assess the full impact of the studies already completed and those in the pipeline. Moreover, the prospects for reimbursement to UNDP of the cost of some of these studies, which depend ultimately on the realization of follow-up investment, is expected to take place. In view of the above, an extension of the Facility's operational period into the fourth cycle is warranted, to allow this type of reimbursable pre-investment assistance to continue, primarily for the least developed countries.

VI. OTHER PROJECT DEVELOPMENT FACILITIES

A. Caribbean Project Development Facility

38. The Caribbean Project Development Facility, RLA/81/010, was established in 1981, under the auspices of UNDP, with the World Bank/IFC acting as the executing agency. Its main purpose is 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. As of October 1985 (fiscal year: 1 November-31 October), total contributions to the Facility have amounted to about \$7 million from a number of multilateral and bilateral sources, including the United States Agency for International Development (USAID), IDB, the Canadian International Development Agency (CIDA), the Caribbean Development Bank, the Governments of the Netherlands and the United Kingdom, UNDP and IFC. Of the total contributions, over \$5 million has been or will be provided in cash, some \$1.8 million in kind (from IFC) and about \$200,000 in technical co-operation financing. Additional contributions from multilateral and bilateral sources are expected to be committed during the Facility's second triennium (1984-1987).

39. By the end of October 1985, the Facility had prepared 37 projects in 17 different Caribbean states, for which the total investment cost is estimated to be about \$77 million. During this same period, the Facility was instrumental in raising loans and equity amounting to some \$28 million for 22 investment projects in 12 Caribbean countries. Financing was secured for thirteen of these projects in an amount of about \$7.0 million during 1984-1985.

B. African Project Development Facility (APDF)

40. In a similar vein, AfDB, IFC and UNDP have joined in an effort to sponsor APDF, which is being formulated as a UNDP-assisted World Bank/IFC-executed project. The Facility will make specific efforts to assist private African entrepreneurs in formulating, preparing and promoting investment projects with sources of finance. As a secondary objective, the Facility may offer assistance to private investors who would like to participate in public sector companies which Governments intend to sell to the private sector. The efforts of the Facility will be focused on projects costing between \$0.5-5.0 million in industry and manufacturing, as well as in agriculture, mining, fishing, tourism, transport and services.

41. Financial support for the Facility is expected to be provided by the three sponsoring agencies as well as from some 12 OECD countries. Technical assistance may also be funded from developing country sources for project preparation studies. It is estimated that approximately \$14 million would be needed to fund the Facility for an initial four-year trial period. The Facility is expected to become operational with the approval of the full-scale project by June 1986.

42. Concerning the relationship between the IFSF (see para. 35 above) and the APDF, it may be noted that the former operates on a world-wide scale, primarily in least developed countries, whereas the latter will operate in all Sub-Saharan countries. In those least developed Sub-Saharan countries where both Facilities could operate, their target projects may be different. For example, the APDF will work with private entrepreneurs in areas which would mainly entail providing assistance in implementing small and mostly locally-based projects requiring limited or no feasibility work. The IFSF, for its part, can assist larger-scale

and even export-oriented projects for which feasibility studies would normally be required. The IFSF undertakes these studies at the request of the Governments concerned, whereas the APDF work will be carried out at the request of entrepreneurs. However, the APDF could refer projects which may be outside its scope of operation to the IFSF and, in certain cases, there may be opportunities for the APDF to utilize IFSF funding provided that possibilities for reimbursement exist.

VII. TRAINING IN INVESTMENT DEVELOPMENT

43. As a means of improving the quality of pre-investment activities, the Governing Council, in its decision 80/23, endorsed the proposal of the Administrator contained in document 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, with emphasis on project preparation and financing. By the end of 1985, training in investment development had been provided, during nine two-week sessions held at the World Bank Economic Development Institute, to 208 participants, of whom 172 were UNDP staff; 33 came from United Nations systems organizations; and 3 were Government observers. The World Bank and UNDP intend to continue these seminars at the rate of one per year, with the next session tentatively scheduled for September 1986.

44. In 1984, UNDP and AsDB initiated a workshop in pre-investment for UNDP staff and host Government counterparts in the Asia and Pacific region. Two sessions of this workshop have been held, one in 1984 and one in 1985, with a total attendance from the region of 18 UNDP staff members and 20 Government officials. The objective of this training was to familiarize participants with investment project preparation and develop their skills in formulating and managing pre-investment projects. Each stage of the project cycle was examined and, using specific examples from the region, the workshop also focused on the interests and requirements of potential investors. Additional sessions of this workshop may be scheduled in due course. Moreover, UNDP and AfDB have agreed to hold a seminar during early 1987 on investment development for UNDP field staff and Government counterparts. Discussions are also continuing with IDB on the prospects for training in investment development.

VIII. CONCLUSIONS

45. While there are clear indications that follow-up investment to UNDP-assisted pre-investment projects is increasing, UNDP will continue its efforts, in consultation with Governments and executing agencies, to augment the pre-investment content of country programmes and to strengthen and streamline the measures taken in order to further improve the linkages between UNDP pre-investment activities and follow-up investment from sources of finance. As a key measure to improve such linkages, UNDP will continue to seek agency assistance in increasing collaboration under the terms of the co-operative arrangements. In particular, more regularized participation by agencies is indicated to review and assess the investment potential of UNDP-assisted projects, at the project formulation and design stage, in order to increase the likelihood that the data leading to investment decisions is produced.

46. In view of the success achieved in the Asia and Pacific region, and the flexibility in the use of country programme resources for pre-investment studies through the mechanism of the umbrella project (see para. 32 above), Governments may wish to consider whether such projects could also be implemented in other regions, in association with sources of development finance, with the aim of enhancing prospects for the realization of follow-up investment.

47. Regarding the IFSF, the Administrator remains convinced of its usefulness as a mechanism to facilitate follow-up investment. It may be noted, however, that the Facility did not become fully operational until two years after the Council decision on its establishment was taken in 1982. In view of this delay and of projects under consideration in the pipeline, it is proposed that the Facility be extended into the fourth cycle. This would allow sufficient time to assess the results and achievements of the Facility and to determine its future role.

48. With respect to training in investment development for UNDP and agency staff, as well as Government personnel, seminars with the World Bank and the Asian Development Bank are to be continued, while such training will be initiated with the African Development Bank in 1987.
