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SUMMARY RECORD OF THE 33rd MEETING

Held at Headquarters, New York,
on Wednesday, 21 June 1989, at 6 p.m.

President: Mr. SALAZAR-SANCISI (Ecuador)

later: Mr. PIBULSONGGRAM (Thailand)

CONTENTS

Other funds and programmes:

- (b) United Nations Fund for Science and Technology for Development and Energy Account
- (c) United Nations Revolving Fund for Natural Resources Exploration
- (f) United Nations Capital Development Fund

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The meeting was called to order at 6.15 p.m.

OTHER FUNDS AND PROGRAMMES:

(b) UNITED NATIONS FUND FOR SCIENCE AND TECHNOLOGY FOR DEVELOPMENT AND ENERGY ACCOUNT (DP/1989/48)

1. Mr. YENEL (Turkey) paid tribute to the innovative action taken by the United Nations Fund for Science and Technology for Development to transfer scientific and technological knowledge to developing countries. In order to respond to the rapid growth in the science and technology sector, United Nations field offices should be strengthened and made more aware of the needs that existed in that area. The Fund was an essential element of the scientific and technological assistance provided to developing countries and its current status should therefore be maintained.

2. Mr. AL-ZUNNI (Libyan Arab Jamahiriya) said that science and technology played a crucial role in development programmes. The transfer of the latest technology to all developing countries, without discrimination or hindrance, was a prerequisite for mankind's progress and prosperity. It was the duty of the international community to support such action.

3. Mr. FERNANDEZ (Philippines) expressed regret at the Fund's precarious financial situation. His Government had always supported the Fund with modest but steady contributions, even when it had been compelled to suspend its support to other development activities. The Fund was very important to his country, as it was to developing countries in general; those countries provided more than 40 per cent of its resources, clearly demonstrating their support for its activities.

4. Mr. CABEIRO QUINTANA (Cuba) said that his country had always supported the Fund's development assistance activities. He called on major donor countries and developing countries to increase their contributions in the next financial year.

5. Mr. ROHNER (Switzerland) said that the Fund needed a minimum level of resources in order to have the desired impact. Its current resources were insufficient and its operations therefore had limited impact on development in general. His delegation was willing to take part in a dialogue and to consider the possibility of placing a greater emphasis on science and technology under the fifth programming cycle.

6. Mr. ZIARAN (Observer for the Islamic Republic of Iran) said that his country attached great importance to the Fund's activities. The Fund was effective in helping developing countries expand their scientific and technological infrastructure and, despite its limited financial resources, contributed to strengthening their endogenous capacities. In view of the importance of science and technology for solving those countries' problems and the increase in requests for technical assistance made to United Nations field offices, the Fund must have sufficient financial support to be able to expand its activities. After 10 years

(Mr. Ziaran, Observer, Islamic Republic of Iran)

of difficult negotiations, however, its financial situation remained precarious. His country called on the developed countries to increase their contributions. His own Government had responded to the appeal launched by UNDP in Governing Council decisions 87/39 and 88/39 and had also supported the Fund through the contributions made by OPEC countries, despite the decline in their revenues brought about by the drop in oil prices.

7. Mr. SAHLMANN (Federal Republic of Germany) said that, over a three-year period, his country would pay a contribution of 3 million deutsche mark into a trust fund which would enable interested developing countries to devise, within the framework of the Fund's activities and in close co-operation with the Centre for Science and Technology for Development, ways of integrating science and technology into development activities. It was indeed necessary to increase the Fund's resources. Unfortunately, his Government had not been able to make a contribution in 1989. The Governing Council must decide on the Fund's future, i.e., whether to maintain it in its current form or to convert it into a UNDP account.

8. Mr. GOPINATHAN (India) recalled that the Fund had been created by the General Assembly on an experimental basis in order to restore donor confidence. The bodies which should decide on its future were the United Nations Intergovernmental Committee on Science and Technology for Development, which was responsible for establishing guidelines for the Fund, and the General Assembly itself. The Council was not qualified to take decisions on the subject and should be guided by the outcome of the General Assembly's deliberations.

9. Mr. HARRISON (United Kingdom) said that his country had always considered science and technology an essential and integral part of the development process. That was why it had been opposed to setting up the Fund as a separate entity and had approved its transfer to UNDP. His country appreciated the work already done by the Fund and felt it appropriate that it concentrate its activities on certain specific areas. The Fund's work in the areas of technological information and the upgrading of traditional technologies was particularly useful.

10. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Special Activities) said that he was not in favour of integrating the Fund's activities into those of UNDP and that it was absolutely essential to obtain additional contributions. While it was true that the Council could not decide on the future of the Fund, it could at least exert some influence in that regard. A dialogue was possible between the developing countries, which felt that the Fund was essential to them in meeting with their scientific and technological needs, and the developed countries, which had expressed reservations.

11. Mr. LALKAKA (Director of the United Nations Fund for Science and Technology for Development) welcomed the support shown for the Fund and the approval expressed for some of its areas of activity, such as scientific and technological training, promotion of enterprises and innovation. He also welcomed the interest shown in the mechanism for the Transfer of Knowledge through Expatriate Nationals (TOKTEN)

(Mr. Lalkaka)

and for Short-Term Advisory Services (STAS). There was clearly general agreement that there should be a dialogue at the appropriate political level on the Fund's future. While the final decision of course rested with the Intergovernmental Committee on Science and Technology for Development and the General Assembly, the Council's interest and support were of decisive importance for the Fund's survival.

12. The PRESIDENT said that the Governing Council had completed its general debate on item 8 (b)

(c) UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION (DP/1989/49; DP/NRE/PROJECTS/REC/9-11; DP/NRE/PROJECTS/12)

13. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Special Activities), introducing the item, said that mineral exploration required long-term planning. It was a high-risk sector and IPFs were too small to fund it. In order for the United Nations Revolving Fund for Natural Resources Exploration to be able to undertake the necessary mineral and geothermal research and to function at its optimum level, it would require \$10-\$12 million a year, for five years.

14. Mr. TOMITA (Director of the United Nations Revolving Fund for Natural Resources Exploration) said that developing countries were increasingly interested in developing their mineral potential, a fact that was reflected in the increase in requests for assistance from the Fund. There was also renewed interest among donors in contributing to specific projects. The Fund's success rate was high: in seven of its 20 completed projects, mineral deposits of potential economic value had been discovered. He briefly reviewed the various operations completed or in progress: Saint Lucia (geothermal energy), China (pyrophyllite), the Philippines (chromite), Peru (gold), Haiti (gold), the Congo (phosphate), Ghana (gold), Central America and southern Africa (titanium, lead, zinc and bauxite). Geothermal energy, in which developing countries were showing a very keen interest, should become increasingly prominent in the Fund's activities. Twenty-two mineral exploration projects and 11 geothermal energy exploration projects were in the pipeline.

15. In the serious financial crisis into which the external debt had plunged many developing countries, the Fund's minerals and geothermal exploration was uniquely beneficial because the exploitation of natural resources gave them hard currency and also strengthened their internal economy by creating jobs and invigorating diverse domestic sectors. Exploration was important for maintaining a steady supply of essential minerals and the interdependence of producer and consumer countries, but the Fund's annual income was minimal, covering only a third of its programme requirements. While several Governments had made substantial contributions to individual projects on a third party joint financing basis and such contributions should increase in the years to come, the Fund needed at least \$10-\$20 million annually in regular contributions to its core resources in order to respond adequately to requests from developing countries. In that connection, he emphasized the excellent prospects for replenishment of the Fund's resources as a result of the very significant value (over \$1 billion) of the deposits discovered. He would continue his efforts to strengthen the Fund's financial base in order to

(Mr. Tomita)

meet the increasing demands of developing countries. He thanked the Japanese Government and other Governments for their generous contributions to the Fund since its creation.

16. Consistent with its mandate, the Fund was co-operating with other United Nations agencies. Its projects were reviewed jointly by the World Bank, UNDP and the Natural Resources and Energy Division of the Department of Technical Co-operation for Development.

17. Mr. FERNANDEZ (Philippines) said he was in favour of simplifying the name of the Fund. His country attached great importance to the exploration of the natural resources it undoubtedly possessed in abundance; that was a very costly activity, however, because of the high risks. Potential investors were very reluctant to commit resources and Governments had to find other ways of funding exploration. That was why a mechanism such as the Fund was important for developing countries. His country had great expectations of the chromite exploration project undertaken by the Fund. He thanked Governments, including the Japanese Government, for their contributions but regretted that the Fund's current resources were still inadequate for such operations.

18. Mr. LIU Lanke (China) said that the Fund had done very useful work and that he welcomed the expansion of its exploration activities. The Fund had already established relations with nearly 30 countries and its assistance was increasingly recognized as invaluable by the developing countries. In November 1988, his Government and the Fund had signed an agreement for the exploration of pyrophyllite. A geothermal energy project in Yunnan province was in the pipeline. Although the Fund had shown some flexibility in respect of the repayment of loans, developing countries usually experienced repayment difficulties and the assistance offered was therefore less attractive than it might be. The Fund should be more generous. His Government was prepared to discuss funding methods with the Fund and would continue to support it.

19. Mr. KALIBWANI (Observer for Uganda) said that his country possessed the necessary natural resources to achieve a high rate of growth and development only if they could be optimally exploited. That was especially true of geothermal energy, which offered an alternative to wood fuel, the use of which resulted in deforestation, soil erosion and, ultimately, desertification. Geothermal energy would make it possible to improve the quality of life in rural areas and to start small-scale industrial projects. His Government intended to ask the Fund to help it carry out a feasibility study on a geothermal project in Western Uganda.

20. The Fund had no more funds for new projects, however. In view of the Fund's importance not only for recipient countries but also for the rest of the world, he urged the donor community to increase its support so that the Fund could take on additional projects. He thanked the Italian Government, which had pledged a substantial contribution for 1989. Lastly, he had no objection to the proposed change in the Fund's name to United Nations Fund for Natural Resources.

21. Mr. PETRONE (Italy), referring to paragraph 22 of document DP/1989/49, said that the Italian Government had not yet signed a firm commitment to contribute to a geothermal energy programme. His country would continue to provide support if there were enough donors to achieve a "critical mass" that would make the Fund's operations viable. The prospects for that, however, did not seem very encouraging.

22. Mr. ZAWELS (Argentina) expressed satisfaction at the quality of the activities of the Fund, which was proceeding with prospecting in Patagonia and in the Andes. The prospecting activities were sufficiently advanced to begin granting concessions at the current stage. For highly indebted countries like Argentina, such activities had only advantages. In the first place, prospecting was too risky an activity for medium-sized private companies, and the discovery of mineral deposits meant the possibility of mining operations that could bring in foreign exchange.

23. Mr. MIZUKOSHI (Japan) said that the Japanese Government had consistently attached great importance to the Fund, whose activities were not only beneficial to the developing countries but also helped to stabilize mineral markets. His Government was committed to continuing its support, especially since the Fund, which was well managed, was very active and carried on broad co-operation with the Department of Technical Co-operation for Development and the World Bank.

24. Mr. MAJOOR (Netherlands) noted the great interest which developing countries took in the Fund. He was pleased that the Fund was seeking to obtain additional resources in the form of co-financing, a formula which had already made it possible to finance a great many projects. His delegation endorsed the project proposals in documents DP/NRE/PROJECTS/9 to 12. He wished to know the reason for seeking to change the name of the Fund, and specifically why the word "revolving" would be deleted.

25. Mr. GRAHAM (United States of America) said that while his country had not contributed to the Fund's core resources, it had provided co-financing for some projects. The principle of a gradual replenishment of resources continued to be valid and the Fund should therefore continue to be "revolving".

26. Mr. PAYTON (Observer for New Zealand) said that New Zealand had in recent years contributed to the Fund's core resources. If the Fund was to carry out its mandate, it would have to have substantially increased resources. It was necessary to be realistic, however. It was already proving difficult to find resources for core activities during the fifth UNDP programming cycle, which should be the priority. The Government of New Zealand could not under any circumstances accord priority to contributing to the core resources of the Fund. Since it was unlikely that resources would reach acceptable levels in the foreseeable future, it would seem advisable for the Council to consider at the current session whether the Fund should remain a separate entity. It would seem that the Fund's activities no longer warranted such a status. The Administrator of UNDP should, after consultations with interested parties, consider the possibility of redirecting the Fund's activities through other development modalities. In view of the fact that the Fund relied heavily on bilateral co-financing and cost sharing, its activities could just as well be taken over by the UNDP Office for Projects Services.

27. Mr. TOMITA (Director, United Nations Revolving Fund for Natural Resources Exploration), replying to questions, said that the proposal to change the name of the Fund was motivated by a desire to simplify it. The current name was rather unwieldy because of its length. The proposal would not affect in any way the mandate of the Fund. The deletion of the word "revolving" was justified in so far as it did not relate directly to the activities of the Fund but merely referred to a form of financing.

28. With regard to the prospects for replenishing the Fund's resources, he cited the example of one of the very first projects sponsored by the Fund, which had led to the discovery of a silver deposit in Ecuador. The Government of that country had signed a mining contract with a Canadian company and production was expected to start before the end of the year. That project thus offered the first chance to replenish the Fund's resources. There was another very profitable project in Argentina, where the Government had recently signed a letter of understanding with the Fund to specify the conditions for working the deposit. Co-operation with the Government of Peru had led to the discovery of one of the most important gold deposits to date. It was hoped that the necessary financing would be found very soon and the project should be brought into production within a few years.

29. With regard to problems relating to funding, the authorities of the Fund considered that the budgets involved - about \$10 or \$12 million annually - were very reasonable in view of the contributions usually made by the major donors. That should not pose any great difficulty to anyone who recognized the importance of the Fund's activities. The comparisons made with the general resources of UNDP prompted him to express some reservations. The Fund's projects were very different from those financed from indicative planning figures. It was necessary to plan for \$3 million for a mineral prospecting project and \$10 million for a geothermal energy project, on average. Such investments required long-term planning and entailed considerable risk. In addition, the recipient Governments generally did not possess the necessary technology. It would be very difficult to include projects of that nature in the country programmes which UNDP financed from IPFs. That was what had led the General Assembly to establish the Fund in 1973.

30. Mr. Pibulsonggram (Thailand) took the Chair.

31. Mr. PAYTON (Observer for New Zealand) said he would also like to hear the opinion of the Administrator of UNDP. He felt that the matter should be discussed in the Budgetary and Finance Committee.

32. Mr. AJELLO (Assistant Administrator and Director of the Bureau for Special Activities) said that an increase in core resources was needed to ensure the smooth functioning of the Fund. An appropriate balance had to be struck between core resources and contributions under co-financing arrangements. As far as priorities were concerned, the projects financed by UNDP were larger in scale than those financed by special funds. But they were of a different nature. UNDP resources were allocated for IPFs and Governments used them as they saw fit. The resources of special funds responded to priorities set by the international community. The two forms of financing were complementary. The question which arose therefore was

(Mr. Ajello)

whether or not exploration for mineral and geothermal resources was a global priority. In the final analysis, that was a political decision, since the amount of money needed was in itself quite modest. Moreover, a decision on that matter would not in any way affect UNDP's own resources.

33. The PRESIDENT said that the Council had thus concluded its general debate on agenda item 8 (c). He proposed that the Drafting Group should be asked to draw up a draft decision, which would also deal with the recommended projects.

34. It was so decided.

(f) UNITED NATIONS CAPITAL DEVELOPMENT FUND (DP/1989/52)

35. Mr. EVERTS (Executive Secretary, United Nations Capital Development Fund) said that the United Nations Capital Development Fund (UNCDF) found itself at a crossroads. Its recent past and future prospects gave rise to mixed feelings of accomplishment and concern. Without indulging in any complacency, he could say that UNCDF had achieved a lot in the in the last two years. There had been vigorous growth in its activities and, more importantly, there had been qualitative improvements in project planning, preparation and monitoring. The increasing recognition of UNCDF's effectiveness was reflected in the fast-growing demand for assistance. It was also expressed in the strong endorsement of UNCDF's mandate and performance by the African Ministers of Planning at their meeting in Addis Ababa in April 1989 and in the call for increased resources for UNCDF made during the preparations for the second United Nations Conference on the Least Developed Countries.

36. Those results had been made possible thanks to the firm support of UNDP's top management and to the commitment of UNCDF staff, who had demonstrated team spirit and dedication. On average UNCDF's country officers oversaw programmes in five countries; every year they monitored the implementation of 22 projects and prepared three or four new investment projects. They also maintained close contact with UNDP and the Resident Representatives, participated in policy discussions, sectoral reviews, training seminars and so forth. That heavy work-load amply justified an increase in staff. An outside consultant who had reviewed the situation in 1988 had concluded that at least three additional Professional posts and three additional General Service posts were needed. Two of the Professional posts would be for country officers, thereby reducing the work-load of each officer to about 17 projects and undoubtedly accelerating project implementation. That would allow UNCDF to approve some 35 projects each year. The third Professional post would go to the policy planning and evaluation unit. The work-load in those areas and in the information area was increasing substantially.

37. UNCDF was in a way the "investment arm" of UNDP and it focused first and foremost on the LDCs; many delegations had strongly urged it to retain that focus. There was a growing awareness of the need to improve external aid, including structural adjustment programmes, if sustainable and equitable development was to

(Mr. Everts)

be achieved in the 1990s. With its well-targeted intervention, UNCDF was in a position to promote structural adjustment with a human face in the LDCs. UNCDF's grant assistance addressed the basic needs of those countries: it enabled them to develop their infrastructure and productive investments in various sectors, and promoted decentralized management and participatory mechanisms that contributed to sustainability; it made it possible to develop projects in difficult conditions and in regions where other donors would not venture; lastly, it complemented UNDP's technical activities.

38. UNCDF hoped that its resources would at least remain at the current level of \$75 million and perhaps even reach \$100 million by the 1990s. It realized that it would have to make an effort to find innovative financing formulae, as had been stressed during the high-level segment of the debate in the Governing Council, but unless core contributions increased it would be forced to return to operational levels of around \$40 million; in the face of the rapidly growing demand, that was clearly an unattractive scenario. The increases required were quite modest; an annual increase of 13 per cent (\$6 million annually) over the next five years would suffice. An approval level of \$100 million for the beginning of the 1990s would seem necessary in order to undertake enough activities to have an appreciable impact in the least developed countries.

39. During the coming decade it would be necessary to strengthen the capacity of the United Nations system to deliver well-targeted and co-ordinated programmes by which technical and capital assistance could reach lower income groups directly. That implied an expanded role for UNCDF. He expressed the hope that that call would be endorsed by the Council and also taken up at the forthcoming conference on the LDCs. As for donors, they could demonstrate their support through increased support for the proven channel that UNCDF had become.

40. Mr. KRSTAJIC (Yugoslavia) welcomed the geographical expansion of UNCDF's operations and the outcome of the financial arrangements that had been made. However, the report of the Administrator (DP/1989/52) did not give sufficient information concerning the nature and content of the projects; the list contained in annex II did not indicate the basic function of those operations. Moreover, on reading paragraph 9 of the report one wondered whether UNCDF's assistance was not additional rather than complementary. It would be interesting to know to what extent the Fund provided material, particularly production material, to the developing countries. He certainly did not wish to criticize the input of other components of technical assistance but it was essential that UNCDF contributions remain directly within its mandate.

41. With regard to the creation of a microfund, as envisaged in document DP/1989/14, to support UNCDF operations during the 1990s, he wondered what would be the implications and effects of such a step and how it could be justified. Furthermore, the need to establish a threshold of \$100 million for the approval of projects had not been sufficiently demonstrated. It was also necessary to specify what links such a Fund would have with UNCDF and whether the latter would administer it. His delegation favoured increasing the staff of UNCDF as proposed in the Administrator's report.

42. Mr. CRUSE (France) reaffirmed France's confidence in UNCDF; the latter was concentrating on the least developed countries and helping to implement very specific small-scale projects which benefited the local communities directly. Its action was not an external element super-imposed on the development effort but was an integral part of that effort and promised to bring about real progress because it relied on the initiatives of the people.

43. UNCDF might however ease the cumbersome administrative and decision-making procedures which at times did not facilitate the task of those working with UNCDF. With regard to the proposed staff increase, while France was not systematically opposed to new recruitment, it felt that recruitment should be on a case-by-case basis.

44. UNCDF's overall management was satisfactory. UNCDF should be strengthened during the coming years and should be directly associated with the conference on the least developed countries which was scheduled to take place in Paris in September 1990. At that time UNCDF's experience should be drawn on and its mission strengthened.

45. The issue of establishing a microfund designed to encourage funding must be studied very carefully. It was impossible to consider such a measure without knowing how the two programmes would be linked.

46. Mr. BREVIK (Norway), speaking also on behalf of Denmark, Finland and Sweden, said that those countries were some of the most consistent supporters of the United Nations Capital Development Fund, providing nearly half of its core resources. The Fund played a crucial role. On the one hand, it helped to implement small-scale projects, which most often benefited low-income groups in the rural areas of the poorest countries, and for which assistance could not be obtained from international finance institutions. On the other hand, by helping to raise food production, the Fund met the needs of the population neglected by most capital projects.

47. The idea of "country strategy" just put forward was interesting. It should be clarified whether that was a first step towards integrating the activities of the Fund with the UNDP country programmes. Rural development activities would be better integrated if they were more closely co-ordinated with the technical assistance furnished by UNDP and the specialized agencies. The Fund should be congratulated on having prepared projects more carefully and having drawn on its experience with a view to improving the quality and impact of its operations. In that regard, there was a need for more details concerning the distinct evaluation activities proposed. The question arose as to whether such a new function was justified, and the Fund should begin by utilizing fully the evaluation services of UNDP. The thematic review on credit was an especially interesting initiative which should be developed.

48. The four Nordic countries noted with satisfaction that the new system of partial financing had made it possible to increase project approval substantially, but were discouraged that that had not led to an immediate reduction of liquidity.

(Mr. Brevik, Norway)

The request for more voluntary contributions was justified. However, planning should be based on a realistic assessment of future resources.

49. They welcomed the fact that the Fund had focused on the agricultural sector. Food production was a priority, since food security must be increased in the least developed countries. In its operations, the Fund sought to co-operate with non-governmental organizations, to preserve the environment, to promote the participation of women in all aspects of its work and to support small private enterprises; those were all welcome activities which should be maintained.

50. The four Nordic countries accepted the increase in the staff of the Fund, since that was needed in order to maintain the quality of operations, and they had no objection to the proposed change of the title of "Executive Secretary" of the Fund to "Executive Director".

51. Mrs. LEE (Australia) said that her country attached great importance to the Fund's action in behalf of the least developed countries, as it had indicated in 1989 by again making a contribution to core resources. The operation of the Fund was satisfactory in several ways. First, the evaluation activities had been intensified in 1987-1988 and two important programme evaluations had been undertaken. The Fund was applying the lessons it had learnt in order to render each project implementation stage more rigorous; in that regard it would be useful if it submitted the evaluation reports and indicated what operations of that kind were forecast for the next two years. Furthermore, the Fund had speedily responded to the needs of the four new countries of the Asia and Pacific region included among the least developed countries. She wished to know whether, in addition to the projects being implemented in those countries, others were being prepared. In general, the Fund should pay close attention to the needs of small islands in the Pacific and Indian Oceans. She also noted the low level of staffing of the Fund, whose administrative costs remain low by comparison with other United Nations bodies. Lastly, the Fund was seeking to make environmental protection an integral part of its programme.

52. Australia approved of the proposed increase in staffing which in any case was modest and was justified by the rapid expansion of the programme.

53. In order to boost project approvals to the proposed level of \$100 million, voluntary contributions must rise by 13 per cent between 1989 and 1994. The question was whether that target was realistic; and it was advisable for programming to be carried out prudently.

54. Mr. OGAWA (Japan) said that, in order to establish their infrastructure, the developing countries, especially the least developed, needed small-scale support to fill in the gaps between the large programmes of aid and technical assistance. Japan considered that the Fund admirably served that purpose, and had been making annual contributions to the Fund ever since it had been set up.

(Mr. Ogawa, Japan)

55. He noted with satisfaction that the Fund had increased its activities, approving more projects and spending more on them. He also welcomed the increased attention it was devoting to evaluation in order to improve quality. For that purpose, however, it must first of all use all the means offered by UNDP, without expanding its staff unduly, so as to retain its non-bureaucratic nature.

56. If voluntary contributions did not increase, project approval would have to be greatly reduced after 1992. That was very worrying, since it would interfere with the Fund's activities. The two scenarios presented in annex I to document DP/1989/52 were both based on an annual total of \$100 million for programming. Perhaps a less ambitious target could be set through a gradual adjustment of project approvals over the coming years. It should be made clear whether the rapid drop in total resources was due to more funds being allocated to projects - and threatened to recur - or whether it was merely a passing phenomenon due to the change in the financing formula. Had the Fund tried to find a solution, for example by seeking new donors? He also wished to know the reasons for the reduction in expenditure on projects in 1988.

57. Mr. MAJOOR (Netherlands) recalled that his country had from the outset been making large contributions to the Fund, the only satisfactory major capital development fund because it focused its action on the least developed countries, was active and had a very alert staff. The Fund was also trying to expand its financial base, both by attracting new donors and by having recourse to co-financing, a formula which had its limitations and should be used prudently, but deserved to be taken into account.

58. He welcomed the Fund's efforts to improve control and evaluation of its operations, since quality was paramount. The Fund had good reason to aim high in its financing. But if it could already maintain its programming in the coming years at the current level of \$75 million, that would be welcome, since such an amount already implied a large increase in contributions, loans and expenditure. Document DP/1989/52 indicated that the cost of programme support services had doubled from 1987 to 1988; he wished to have more details about the reasons for that increase.

59. Mr. PETRONE (Italy) noted with satisfaction the considerable expansion in the Fund's activities, which should continue to be focused on the least developed countries. Italy would try to maintain its financial support for the coming year. However, the Fund must proceed with great care in approving projects, since the estimates for the five coming years showed a reduction in the level of resources. It was absolutely essential to avoid creating liquidity problems.

60. It might be asked whether the programming level of \$100 million envisaged for the early 1990s was realistic. The discussions in the Governing Council had demonstrated that at the current stage one should neither assume that a high volume of basic resources would be received nor rely on the 13 per cent annual increase in voluntary contributions that formed the basis of the anticipated scenario set out in document DP/1989/52. Where UNCDF was concerned, as in the case of the United

(Mr. Petrone, Italy)

Nations Fund for Science and Technology for Development and the United Nations Revolving Fund for Natural Resources Exploration, neither the number of donors of basic resources nor the total volume of such resources had increased. Italy would contribute to those funds, which facilitated very specific, high-quality operations for the benefit of developing countries, but it would reduce its support if "centrifugal tendencies" became apparent.

61. Mr. ALOM (Observer for Bangladesh) said that his Government appreciated the contributions made by UNCDF, which had been endeavouring to meet a wide range of economic and social requirements and had provided Bangladesh with a considerable amount of assistance in several sectors over the past 10 years. One might think that the Fund would soon have achieved the operational maturity of a multilateral funding agency and be able fully to meet the needs of the developing countries that it assisted. However, owing to its financial difficulties the Fund was currently able to meet only a small proportion of the needs in question. It was therefore essential to raise the level of project approvals to \$100 million. Supplementary resources must be mobilized for that purpose - for example, through co-financing, which could be a very useful device for assisting developing countries. As to the title of the head of the Fund, there was no reason why the "Executive Secretary" of the Fund should not become the "Executive Director".

62. Mr. ROHNER (Switzerland) said that his country was one of the Fund's 10 biggest donors. UNCDF, after years of uncertainty as to its role, nature and methods of financing, was now managed by a competent, highly-motivated team that had successfully established a policy for it. The Fund must continue to confine its contributions to the least developed countries, not only because those countries must be given priority but also because that was the most effective way of managing its resources. It must also continue to make active preparations for the Conference on the Least Developed Countries, which was to take place in September 1990.

63. The situation had improved considerably where project approvals and implementation were concerned. The Fund had also endeavoured to improve project development and evaluation. It must put the lessons drawn from experience to good use, and place greater emphasis on supervision and evaluation, now that the number of activities was growing rapidly as a result of the new partial funding formula, which was designed to reduce liquidity and was proving effective.

64. If the Fund was to play its role to the full, an annual amount of \$100 million in commitments would be required. As the Fund now had only \$40 million at its disposal, new donors would have to be found. Switzerland was willing to contribute to the best of its ability, but the Fund must maintain a realistic approach and ensure that its planning was geared to the level of its resources. It was to be hoped that the Fund would assist countries in identifying various funding possibilities.

65. The staff increases requested in document DP/1989/52 were acceptable. Lastly, there was no reason why UNCDF should not be headed by an "Executive Director".

66. Mr. PAYTON (Observer for New Zealand) endorsed the laudatory remarks just made by delegations in respect of UNCDF. The Fund must give priority to the least developed countries, as recommended by the General Assembly and UNDP, and New Zealand was highly appreciative of the action it took. The Fund had taken rapid action to assist the three South Pacific countries that had just been included in the list of least developed countries. It had demonstrated that the action it took could have a genuine impact on the lives of ordinary people, as shown by the project carried out in Vanuatu, which was described in annex II to document DP/1989/52. It was one of the best United Nations development agencies, and New Zealand would provide it with financial support to the extent possible, on the understanding that it would keep its operations within the limits of the resources available.

67. Mr. LIU Lianke (China) said that his country made a financial contribution to UNCDF every year in order to demonstrate its approval of the action taken by that body, which had been providing the least developed countries with effective assistance for many years and was contributing to their social and economic development. China had held consultations with the Fund on the use that was to be made of its contributions and had taken specific steps in that connection; for example, in the current year it had paid its contribution in convertible currency. It would continue to support the Fund, and was prepared to step up co-operation with it.

68. Mr. GRAHAM (United States of America) said that his country had been involved in many UNCDF initiatives in the field for a very long time. His delegation took note of the Fund's achievements, as well as of the level of commitment and efficiency of the Fund's staff. It appreciated the transparency of the programmes and the importance accorded to evaluation, and was satisfied with project implementation. It welcomed the fact that the Fund was endeavouring to promote small enterprises in the least developed countries; it must confine its action to such countries and not seek to include more developed countries.

69. He noted with satisfaction that the Fund conducted thematic reviews on credit and sectoral reviews on low-cost housing. He wished to know whether the credit agencies charged market interest rates, and whether they were already or would become self-sufficient; he also wished to know whether the Fund's activities in the area of housing were linked to those of the United Nations Centre for Human Settlements (Habitat).

70. The frank statement on the issue of evaluation showed that UNCDF should consolidate its action so as to maintain project quality. Moreover, it should seek a rational solution to a financial situation in which the level of commitments was higher than the expected level of incoming funds, by securing a higher volume of voluntary contributions, or perhaps by using co-financing. The proposals concerning staff increases were modest and seemed reasonable. The title of the head of UNCDF could by all means be "Executive Director".

The meeting rose at 9.10 p.m.

