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**POLICY**

OTHER FUNDS AND PROGRAMMES

UNITED NATIONS FUND FOR SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Report of the Administrator

SUMMARY

This report is submitted pursuant to Governing Council decisions 89/52, paragraph 8, and 89/53, paragraph 7, of 30 June 1990, and contains the Administrator's proposals for the future of the United Nations Fund for Science and Technology for Development and the United Nations Revolving Fund for Natural Resources Exploration.

## I. INTRODUCTION

1. The present report is submitted in response to: (a) Governing Council decision 89/52, paragraph 8 of which requested the Administrator to explore ways to strengthen the activities of the United Nations Fund for Science and Technology for Development (UNFSTD), taking into account the continuing responsibility of the Intergovernmental Committee on Science and Technology for Development for the Fund, and to submit a report on this issue for the consideration of the Council at its thirty-seventh session in 1990; and (b) Council decision 89/53, paragraph 7 of which requested the Administrator to explore alternative ways of securing the activities of the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and to submit a report thereon for the consideration of the Council at the same session in 1990.

## II. ACTIVITIES OF THE TWO FUNDS

2. The activities undertaken by the two funds are described in the Administrator's biennial reports to the Council. Inasmuch as full reports on the funds were submitted to the Council in 1989 and will also be submitted in 1991, the present report is limited to a thumb-nail sketch of their activities, to serve as a background to the proposals for their future financing.

3. The UNFSTD continued its work on national science and technology strategies, technological innovation and entrepreneurship development, technology information systems and new and emerging technologies, as well as projects in the energy field. At present, 61 projects are under implementation at a total cost of \$36 million. The Fund also provided technical advice to UNDP headquarters and field offices.

4. The UNRFNRE has to date completed 22 projects in the minerals field at a cost of \$60 million. Eight of those projects have resulted in successful discoveries. The value of the discoveries at current prices is \$1.5 billion. In addition, the Fund discovered a geothermal reservoir in St. Lucia which has the potential to produce 5 megawatts of electricity and thereby reduce St. Lucia's dependence on imported oil for this purpose.

## III. FINANCIAL SUPPORT FOR THE TWO FUNDS

5. The work of both funds is appreciated and strongly supported by the developing countries. Both funds, however, have continued to suffer from an inadequate level of donor support, thus restricting the volume of their activities and their impact. As regards UNRFNRE, it was expected that if the Fund reached an annual level of project expenditures of about \$10 million for a period of 20 to 25 years, it could begin to revolve, thus eliminating the need for further donor contributions. However, its annual voluntary contributions have averaged only about \$2.5 million. The Fund was able to expand its activities only by means of project-related co-financing. For UNFSTD, similarly, the expectation was that resources at a level of about \$10 million (\$5 million in core contributions and the balance from co-financing) would become available. In fact, the core contributions

to the Fund have hovered around \$1 million, and UNFSTD also had to depend on significant project co-financing to be able to expand its activities.

#### IV. FUTURE OF THE TWO FUNDS

6. Given the continued stagnation in the core resources of the funds, two questions arise: (a) whether the activities they undertake should be continued; and (b) if so, how to assure viable funding levels for them. Given the support and appreciation of the developing countries, it is clear that the activities of the funds are considered important. As for their continuation, three alternatives have been explored: one would incorporate their activities in the UNDP programme; the second would finance a minimum level of core staffing and programme financing from the Special Programme Resources (SPR) of UNDP; and the third would significantly reduce the administrative expenses of the funds so that they are commensurate with the level of contributions to the funds.

7. As to the first alternative, given the high-risk and high-cost nature of projects in the mineral and geothermal exploration fields, it is generally not possible to accommodate such projects in the indicative planning figures (IPF). In the field of science and technology, although many follow-up projects are financed under IPFs, promotional activities and high-risk innovative/pilot projects can best be undertaken with funds specially earmarked for such purposes.

8. Considering again that both funds have been able to raise project-related financing and that opportunities for such financing may continue, the Administrator examined a second alternative, i.e., whether he could assure a minimal level of core staffing and programmes for both funds by providing money from the central resources of UNDP (e.g., through the mechanism of SPR). This would then permit both funds to have a minimum mass and allow them to raise project-related non-core financing. The Administrator concluded, however, that it might not be appropriate to use UNDP programme resources for the activities of the funds.

9. The Administrator believes that the only viable method to revitalize and continue the activities for which the two funds were established would be for the donor Governments to make adequate voluntary contributions to the two funds. In July 1989, the Administrator approached the missions of the Council members to initiate a dialogue with those members aimed at reaching a policy decision in this respect. However, apart from references to the funds in the debate on the future role of UNDP and in United Nations General Assembly resolution 44/14 of 26 October 1989, the proposal for the dialogue was not taken up. In the absence of an adequate level of contributions and a policy decision, the Administrator has concluded that the staff and other costs of running the two funds should be significantly reduced so that they would be in keeping with the level of resources attracted by the funds. Accordingly, the Administrator proposes that the programming and programme supervision functions of the two funds should be handled by a joint unit staffed by a Director at the D-1 level and two Professional officers, supplemented by support staff. Additionally, two technical advisers - one in the field of minerals and one in science and technology - would, over a period of two to three years, be shifted to the Technical Advisory Division (TAD)

of UNDP. At TAD, these advisers would provide technical backstopping to the funds and would also perform an advocacy role for the funds' objectives throughout the UNDP programmes so as to assure, for example, that adequate attention would be given to the science and technology aspects of UNDP programmes; they would also provide technical advice to UNDP. The costs of these advisers would be shared between the funds and UNDP-financed projects in proportion to the services provided to each. In regard to UNFSTD, responsibility for implementation of projects already lies with other executing agencies. Under the new arrangement, implementation of projects funded by UNRFNRE would also be the same as that for the main programme of UNDP, i.e., through an executing agency.

10. The UNRFNRE is at present carrying out a number of projects. The Administrator would assure that work on these projects would not be interrupted and that the interests of the developing countries concerned would be fully safeguarded. During this interim period, the Administrator would use the existing project staff, as appropriate, to take care of these responsibilities.

#### V. CONCLUSION AND RECOMMENDATION

11. As can be seen from the preceding paragraphs, the Administrator is making the above proposals, in the absence of adequate donor contributions, to ensure that the administrative expenses of the two funds are commensurate with their resources, and that, in the circumstances prevailing, the responsibilities entrusted to the funds can be carried out in the most cost-effective and efficient manner. The Administrator believes that, as and when the funding situation improves, consideration could be given to how best to discharge the responsibilities which the funds may then have to meet.

12. The Administrator recommends that the Council endorse the approach reflected above.

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