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S U P P O R T

OTHER FUNDS AND PROGRAMMES

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Report of the Administrator

Summary

This report is submitted for information purposes in compliance with Economic and Social Council resolution 1762 (LIV), paragraph 1(o) and conforms with biennial reporting established in General Assembly resolutions 36/200, paragraph 11 and 39/217. The report provides information on programme management, investment follow-up activities and the status of new project recommendations and approvals, complementing the annual report of the Administrator: main programme record, and UNDP-administered funds.

In the financial presentation the allocation to new projects is given, and the positive response to co-financing initiatives are highlighted. The need for new and higher levels of contributions to the Fund is brought to the attention of the Council.

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I. OVERVIEW OF PROGRAMME MANAGEMENT

1. The overriding priority of the Fund in 1985 was to seek increased donor support in view of the resource situation which is now rapidly reaching a critical stage. Virtually all the Fund's financial resources available for new programming have now been allocated, emphasizing the need for new and higher levels of contributions. (See paragraph 11). Consequently, the Fund has undertaken a major effort to make the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) better known among member nations with a view to increased funding. The results of these efforts are so far very limited in monetary terms, but it is gratifying that the number of countries which will be supporting the Fund through voluntary contributions will increase from five in 1985 to ten in 1986. The Fund was also successful in obtaining bilateral resources in support of common programming objectives. (See paragraphs 9 and 10).
2. The Fund intensified co-operative efforts with recipient Governments for moving exploration discoveries expeditiously along to the feasibility/investment/production stages. Investment promotion activities in 1985 included the collaboration between the Fund and the Government of Argentina in the preparation of bidding documentation, culminating in the call for international tenders to include feasibility work and development/exploitation options on the Huemules gold discovery. International mining companies showed considerable interest in this prospect.
3. The Government of Ecuador announced an agreement with a small international mining group to promote investment interest on the San Bartolomé high-grade silver deposit discovered by the Fund. However, with the continued depressed price of silver, there remains uncertainty as to the economic viability of exploiting this resource at the present time.
4. As a follow-up to the Congo off-shore phosphate discovery, a small-scale feasibility study allocation was approved (DP/NRE/PROJECTS/7). The kaolin-exploration drilling programme in Benin resulted in 1985 in the Fund's discovery of a second industrialized mineral deposit. It is hoped that the discoveries both in Benin and the Congo will lead to investment in domestic industrial facilities.
5. In the on-going exploration programme in Haiti, the Fund and the Government are taking a new approach to interest mining groups in a gold vein system discovered in an area known as Faille B near Cap Haitien. The

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Government, at the suggestion of the Fund, entered into discussions with the international mining sector for the further evaluation and development of the gold properties in the Fund's exploration areas, as well as in other areas where the exploration programme was financed through IPF country resources and executed by the United Nations Department of Technical Co-operation for Development. The idea is to attract the interest of the private sector so that there can be a phased take-over of activities, thereby eliminating the normal gap that ensues between the reporting of a successful Fund project and investment follow-up. Meanwhile, the Fund is continuing its work in Haiti to further define the mineralization.

6. All of the above-noted investment follow-up initiatives are co-ordinated with the respective resident representatives and Government officials, to ensure consistency with the interests and priorities of the recipient country.

7. Three projects were approved by Council decision 85/25: Mineral Exploration in the Migori Area of Kenya (KEN/NR/78/001); Mineral Exploration for Gold in Rwanda (RWA/NR/83/001); and the Fund's first geothermal exploration project at Las Planillas, Jalisco State, Mexico (MEX/GT/83/001).

8. Project allocations approved under the Minimum Work authority of the Administrator subsequent to the June 1985 Governing Council meeting are; Geothermal Exploration in the Qualibou Caldera, St. Lucia (DP/NRE/PROJECTS/8); Exploration for Precious and Base Metals in Honduras (DP/NRE/PROJECTS/REC/5); Exploration for Precious and Base Metals in the Côte d'Ivoire (DP/NRE/PROJECTS/REC/6).

9. In 1985, the Fund reached major co-financing arrangements for the first time with bilateral donors in full consultation with the host Governments. Besides the benefit of funding additionality noted below, the Fund, the United States Agency for International Development (USAID) and the Government of St. Lucia in the first instance, and the Fund, the Bureau de Recherches Géologiques et Minières (BRGM) on behalf of the Government of France in the second instance, reached agreements to utilize their respective financial inputs to achieve a common programme objective within the framework of a unified work programme.

10. The Fund has the overall management responsibility for the St. Lucia geothermal exploration project. The costs to the Fund associated with the USAID-financed inputs are covered within the framework of a management services agreement. The Fund/French Government co-operation for carrying out the Congo feasibility study project conforms to a parallel financing arrangement. The substantive work of the feasibility study consists of two parts: Part I is financed by the French Government on a grant basis under an

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agreement with the government of the Congo; Part II is financed by the Fund under a separate agreement with the recipient Government. The expenditures incurred by the Fund are to be repaid as a loan, in accordance with Governing Council decision 81/24. In a third co-financing arrangement, the Government of Belgium assisted in the financing of beneficiation tests on a bulk-silver sample taken from the San Bartolomé, Ecuador, discovery.

II. FINANCIAL STATUS

11. By means of the project recommendations now submitted to the Governing Council and the prior approvals by the Administrator in 1985, in accordance with the authority delegated to him by the Council, the Fund made maximum use of its cumulative financial resources available for new programming. The 1985 allocation totalled \$12.7 million (see annex II). Disbursement of funds on operational activities, consequently, will increase significantly from the 1985 level, when the field operational programme was at a low point. Now that the full allocation of its cumulative financial resources is a reality, new and higher levels of contributions to the Fund are required in order to sustain new programme development. At the present \$2.5-\$3.0 million annual level of voluntary contributions, the Fund can at best approve only one new project a year.

12. The Fund's co-financing initiatives for specific projects with donor Governments are important particularly in the short-term, allowing the Fund to extend its limited resources to more countries. Without co-financing, moreover, it would be impossible at this time for the Fund to consider the relatively more expensive projects, particularly for geothermal exploration.

13. The intense campaign by the Fund in 1985 to brief Government officials and mining and geothermal entities in the public and private sectors on the role, operations and achievements of the Fund awakened interest which it is hoped will lead to greater co-operation and financial support from more Governments, striving for the annual funding target of \$10 million recognized by the Council.

14. It will be recalled that a group of mining experts in 1975 estimated that it would take approximately 20 to 25 years of operations for the Fund to achieve a revolving status (DP/129, submitted to the Governing Council at its twentieth session in June 1975). This assumption was based on a substantially larger resource base than that which has been available to the Fund. At that time, it was further considered likely that the first replenishment contribution would come only after a minimum of ten years of operational experience. With the several investment prospects now actively being pursued, the first replenishment payments to the Fund are anticipated within the next few years, approximately 10 years after beginning field operations. With the limited financial resources of the the Fund, and the depressed mineral markets in recent years, the revolving status of the Fund, however, will most likely take longer to achieve than anticipated originally under a different and more favourable set of circumstances.

RESOURCE AVAILABILITY AND UTILIZATION
(in millions of US dollars)

		ACTUAL			ESTIMATED	
		1983	1984	1985	1986	1987
I.	<u>Availability of resources:</u>					
	Balance as at 1 January -	18.5	16.7	13.6	15.1	12.1
	Additional resources received -					
	Voluntary contributions <u>a/</u>	2.25	.2	4.4	2.4	3.5
	Interest and other income	1.7	1.8	1.2	1.0	.8
		3.95	2.0	5.6	3.4	4.3
	TOTAL	22.45	18.7	19.2	18.5	16.4
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II.	<u>Utilization of resources:</u>					
	Project expenditure <u>b/</u>	4.6	3.8	2.7	5.0	7.0
	Programme support and					
	administrative services costs	1.1	1.3	1.4	1.4	1.4
	TOTAL	5.7	5.1	4.1	6.4	8.4
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III.	<u>Balance of resources as at 31 December:</u>					
	General resources	16.7	13.6	15.1	12.1	8.0
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IV.	<u>Resources available for further programming:</u>					
	General resources as at 31 December	16.7	13.6	15.1	12.1	8.0
	(as in III above)					
	Less: Unspent project allocations	7.7	4.5	13.8 <u>d/</u>	11.0 <u>e/</u>	4.0 <u>f/</u>
	Balance available as at 31 December	9.0 <u>c/</u>	9.1 <u>c/</u>	1.3	1.1	4.0
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a/ Includes \$.15 in 1983 in the form of co-financing.b/ Includes pre-project expenditures.c/ Revised from presentations to the Council in prior years in order to maintain the uniformity of the calculations.d/ Based on estimate of total projected expenditures on approved projects whenever reliable estimate can be made or the maximum allocation approved by Governing Council minus the average per cent under expenditure on field work completed projects: 19 per cent.e/ 1985 unspent project allocations of \$13.8 million plus \$2.2 million in additional approved allocations in 1986 minus project expenditures of \$5 million in 1986.f/ 1986 unspent project allocations of \$11.0 million minus project expenditures of \$7.0 million in 1987.

Annex II

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

PROJECTS APPROVED IN 1985 a/
(in millions of US dollars)

<u>Project title</u>	<u>U N R F N R E contributions</u>		<u>Other contributions</u>		<u>Total project value</u>
	<u>Financed from general resources</u>	<u>Additional allocation being requested from Governing Council</u>	<u>Amount</u>	<u>Source</u>	
Supplementary Financing for Mineral Exploration in the Migori Area of Kenya (KEN/NR/78/001)	.4	-			.4 <u>e/</u>
Mineral Exploration for Gold in Rwanda (RWA/NR/83/001)	2.3	-			2.3
Geothermal Exploration Drilling at Las Planillas, Jalisco State, Mexico (MEX/NR/83/001)	5.0	-			5.0
Geothermal Exploration in the Qualibou Caldera, St. Lucia (STL/NR/84/001)	2.5 <u>b/</u>	-	3.0 <u>d/</u>	U.S. Agency for International Development	5.5
Exploration for Precious and Base Metals in Honduras (HON/NR/85/001)	1.4 <u>b/</u>	1.0			2.4
Mineral Exploration for Base and Precious Metals in the Côte d'Ivoire (IVC/NR/84/001)	.7 <u>b/</u>	1.2			1.9
Feasibility Study on the Offshore Deposit (Pointe Noire Sector) of the Congo (PRC/NR/85/001)	.4 <u>c/</u>	-	.3	Government of France	.7
TOTALS	<u>12.7</u>	<u>2.2</u>	<u>3.3</u>		<u>18.2</u>

a/ Includes allocations approved by the Administrator, noted below.

b/ Minimum Work programme approved in accordance with Council decision 82/29.

c/ Small-scale feasibility study approved in accordance with Council decision 83/20.

d/ Co-financing through Management Services Agreement.

e/ \$2.6 million approved in 1979 (E/1979/40, annex II).

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION
CONTRIBUTIONS RECEIVED IN 1985
(in millions of US dollars)

Voluntary contributions

<u>For 1985 and prior years</u>					
<u>Donor</u>	<u>Balance 31 December 1984</u>	<u>Additions and adjustments</u>	<u>Collected</u>	<u>Balance 31 December 1985</u>	<u>Pledges for 1986</u>
Bangladesh	1 213	43	1 256	-	1 210
Benin	-	-	-	-	500
Burundi	-	-	-	-	877
Chile	5 000	-	5 000	-	5 000
Indonesia	10 000	-	10 000	-	10 000
Iraq	21 290	-	-	21 290	-
Japan	2 000 000	2 000 000	4 000 000	-	a/
Norway	338 983	42 211	381 194	-	747 356 b/
Panama	1 000	-	-	1 000	-
Rwanda	-	-	-	-	500
St. Lucia	-	-	-	-	5 000
Sierra Leone	1 000	(528)	-	472	-
Zaire	-	-	-	-	500
 TOTAL	 2 378 486	 2 041 726	 4 397 450	 22 762	 770 943

a/ Anticipated pledge of \$2,000,000.

b/ Pledge for 1986 and 1987.

