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**SUPPORT**

**FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS**

Ex post facto reporting on agency support costs

Report of the Administrator

**SUMMARY**

The present document contains the fourth ex post facto report on agency support costs and is being submitted to the Governing Council in accordance with its decision 88/51 of 1 July 1988. In that decision the Council, inter alia, requested the Administrator to continue to submit an ex post facto report on agency support costs on a biennial basis. This report, which covers the biennium 1988-1989, presents the information received from agencies and provides an analysis of the trend in agency support cost earnings and expenditure, as well as agency technical co-operation project expenditure since 1982. The Council may wish to take note of this updated information on agency support costs in considering successor arrangements for support costs from 1992.

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## I. INTRODUCTION

1. The Governing Council, in its decision 80/44 of 27 June 1980, set out a series of arrangements for reimbursement by the United Nations Development Programme (UNDP) of agency support costs for operational activities in respect of the financial years 1982 to 1991 which, inter alia, contained the agreement on the basic authorized reimbursement rate of 13 per cent of annual project expenditures. Noting the difficulty faced by the Intergovernmental Working Group on Support Costs owing to the absence of standardized data on costs within the United Nations system, the Council requested the Administrator to provide to the Council, on an ex post facto basis, a detailed report showing the elements of support costs incurred by executing agencies in the preceding biennium in executing operational activities for development.

2. Extensive consultations with the agencies led to the present reporting format and its biennial coverage. The first ex post facto report covering the biennium 1982-1983 was submitted to the Governing Council at its thirty-first session in June 1984 (DP/1984/62) and subsequently similar reports have been presented to the Council on a biennial basis in 1986 (DP/1986/65) and 1988 (DP/1988/54).

3. The present document, which covers the biennium 1988-1989, is the fourth ex post facto report to be submitted to the Governing Council and responds to decision 88/51 of 1 July 1988. This report consists of the following three parts:

(a) A brief analysis of the trends in technical co-operation activities, support cost earnings and support cost expenditure over the past four bienniums;

(b) Tables providing data received from executing agencies and an analysis of that data (annex I);

(c) Narrative texts provided by executing agencies on financial information contained in their reports (annex II).

Executing agencies were also requested to comment on the past and likely future trends of their technical co-operation programmes and the expected impact on support costs of such trends as well as any measures to reduce support costs that have been taken or are planned since the last ex post facto report.

4. As in previous reports, some agencies indicated that the support cost expenditures were not based on updated cost-measurement studies but rather on estimated percentages of technical co-operation delivery or a percentage derived from studies conducted in the past. The present report should be read with this background in mind and should therefore be considered as a source of information to show general trends and developments on support costs and technical co-operation activities in the United Nations system.

## II. ANALYSIS OF INFORMATION

### A. Technical co-operation delivery in 1988-1989

5. As noted in table A.1 of annex I and illustrated in chart 1, the overall delivery of technical co-operation activities from all sources combined by executing agencies in the United Nations system in the biennium 1988-1989 increased by \$964.9 million, or 29.4 per cent, from \$3,283.7 million in the biennium 1986-1987 to \$4,248.6 million in the biennium 1988-1989. The increase is due largely to an increase of the extrabudgetary activities of agencies, which increased by \$461.9 million, or 34.7 per cent, compared to the previous biennium.

6. Chart 2 indicates the trend in the share of technical co-operation activities by source of funds over the last four bienniums. This chart shows a steady increase in the share of technical co-operation activities funded by extrabudgetary sources and a decrease in the share of UNDP-funded activities. The percentage shares of UNDP and extrabudgetary activities, 43 per cent and 36 per cent respectively in 1982 and 1983, are reversed in 1988 and 1989. Throughout this period, the percentage share of the activities funded by the regular programme has remained at about the same level, ranging from 20.0 per cent to 22.7 per cent.

### B. Agency support cost earnings

7. The total support cost earnings from all sources of funds increased by \$132.2 million, or 20.9 per cent, from \$630.9 million in the biennium 1986-1987 to \$763.1 million in the biennium 1988-1989. The increasing trend in the support cost earnings from all sources combined is shown in chart 1. Although the amount has increased over the period, the support cost rate has remained fairly constant averaging 17.9 per cent over the period.

8. Chart 3 indicates the trend in the share of support cost income by source of funds over the last four bienniums. A comparison of charts 2 and 3 shows a sharp contrast between percentage shares of technical co-operation delivery and support cost income by source of funds. While technical co-operation activities funded by the regular programme of agencies accounted for only 21.9 per cent of the total technical co-operation in the biennium 1988-1989, the regular budgets of agencies financed 54.5 per cent of total support costs during the same period. Several agencies further explained that the shortfall in support cost earnings was covered from special funds outside the regular programme. <sup>1/</sup> In United States dollar terms, support cost earnings from UNDP for all agencies approximate 12.5 per cent of total UNDP-funded activities. The support cost ratio of extrabudgetary activities varies from agency to agency, ranging from 4 per cent for the Asian Development Bank (AsDB) to 21 per cent for the United Nations Centre for Human Settlements (UNCHS).

9. In this connection, it might be recalled that at the thirty-fifth session of the Governing Council in 1988, the Council reviewed a request from the Administrative Committee on Co-ordination concerning the effects of exchange rate

fluctuations on agency support cost earnings. The Governing Council authorized the Administrator to make a special one-time additional support cost reimbursement for 1987 to the executing agencies amounting to \$6.8 million (decisions 88/52 and 88/53). Two agencies, the International Labor Organisation (ILO) and the International Telecommunication Union (ITU), indicated that these additional support costs are excluded from their data. Other agencies have been requested to clarify the treatment of these funds. The Council will be advised orally at the thirty-seventh session.

10. It should be also noted that two agencies, UNCHS and the Economic and Social Commission for Asia and the Pacific (ESCAP), indicated an excess of support cost earnings over expenditure.

#### C. Support cost expenditure

11. As shown in table A.3 of annex I, total agency support cost expenditure has increased since 1982 owing to the increase in the volume of programme delivery and, for the European-based agencies, to the continued weakening of the United States dollar during the period under review. (Expenditures in the national currency of the duty station reflect a higher United States dollar cost as the dollar weakens.) The United States dollar continued to weaken against major European currencies in 1988 and then strengthened in 1989. However, average exchange rates during this biennium did not recover to the level of the previous biennium, 1986-1987. This resulted in higher operational costs of administering technical co-operation activities, as a large portion of support cost expenditures was incurred in local currencies of the locations of their headquarters.

12. Chart 4 indicates the percentage share of support cost expenditure by object of expenditure in the biennium 1988-1989. There was no major shift in the share of the expenditure components over the past four bienniums.

#### D. Analysis of support cost income and expenditure ratios

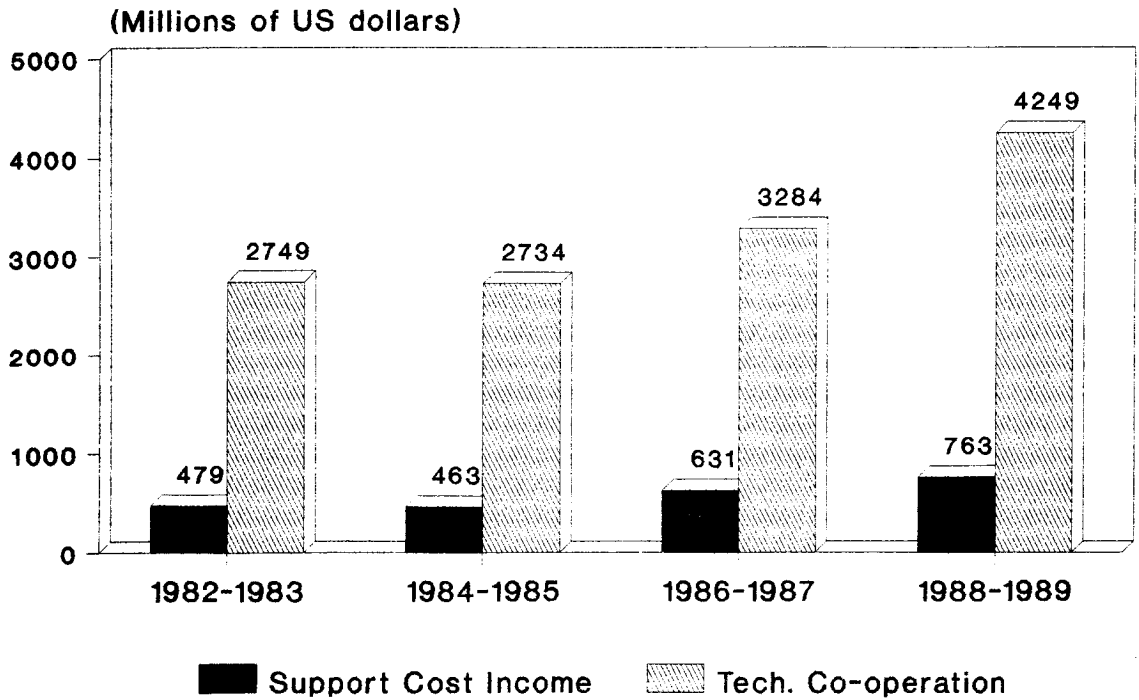
13. Table A.4 of annex I indicates, for the past four bienniums and for each agency, the UNDP percentage share of total agency support cost earnings compared with its share of the total technical co-operation project expenditure of each agency. As seen in charts 2 and 3, the UNDP share shows a decreasing trend both in programme expenditure and support cost earnings.

14. Table A.5 shows, by agency, the ratio of total agency support cost expenditure to total technical co-operation expenditure from 1982 to 1989. During this period, most of the agencies achieved a lower ratio of support cost expenditure to technical co-operation project expenditure compared to the ratios in the previous bienniums. For all executing agencies combined, the ratio has decreased to 18.0 per cent in 1988-1989 from 19.5 per cent in 1986-1987. Chart 5 shows the trend of this ratio over the last four bienniums. Despite the continued weakening of the United States dollar during this period, agencies have achieved this lower rate by undertaking cost-saving measures and restructuring their technical co-operation operations to make more efficient use of resources.

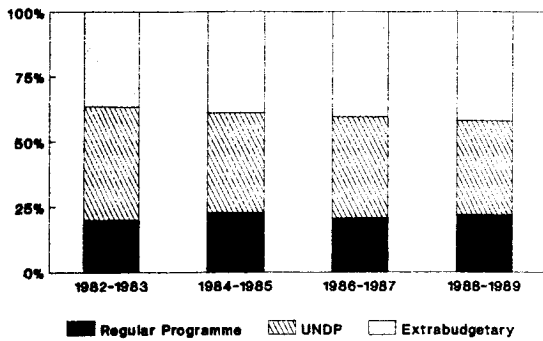
Notes

1/ Such additional funds covered by agencies are included under the heading of regular budget in table A.2 of annex I.

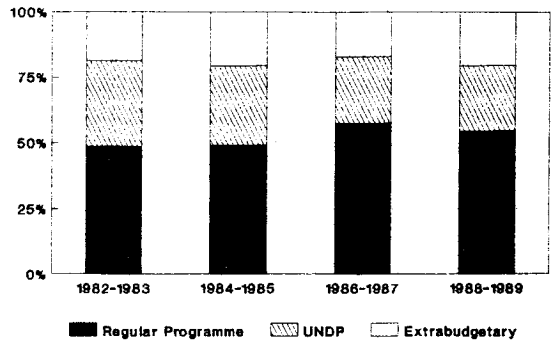
## Chart 1 Technical Co-operation and Support Cost Earnings



**Chart 2 Technical Co-operation**  
(In percentage)

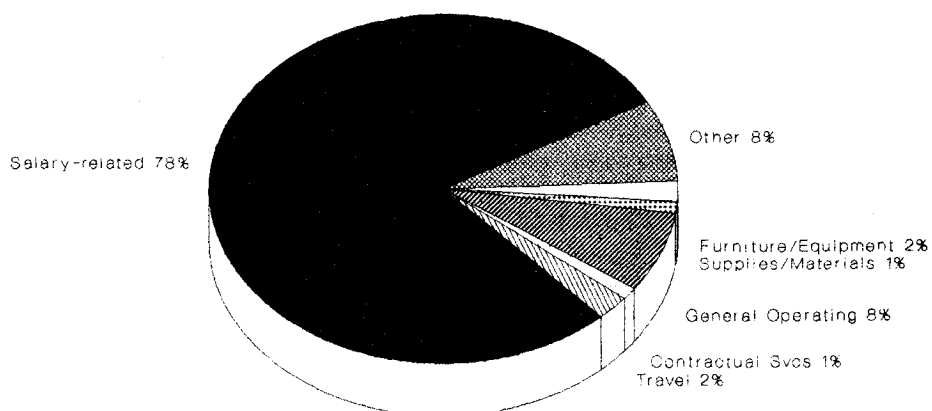


**Chart 3 Support Cost Earnings**  
(In percentage)

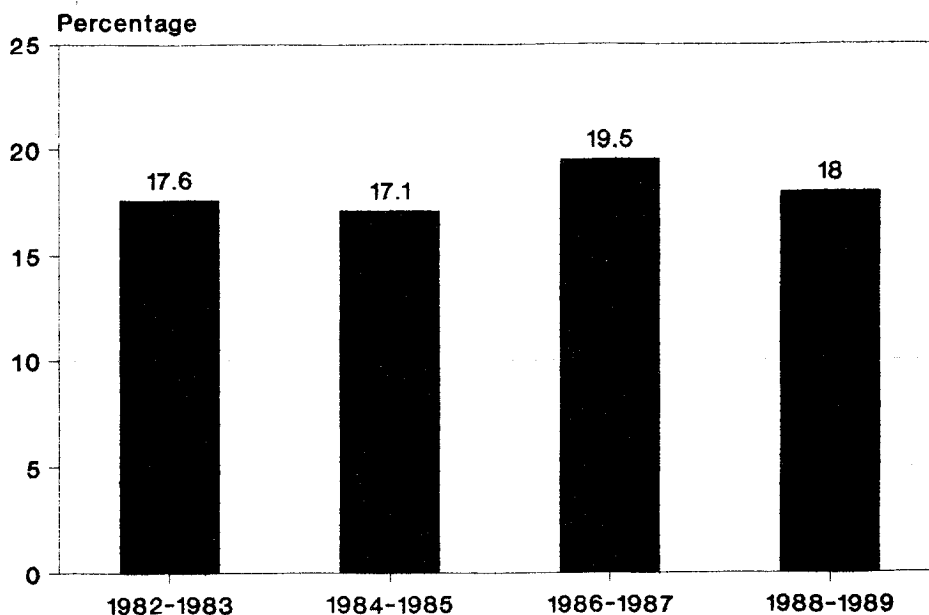




**Chart 4 Support Cost Expenditure  
1988-1989**



**Chart 5 Support Cost Exp as a percentage  
of Technical Co-operation Expenditure**



Annex I

## DATA PROVIDED BY EXECUTING AGENCIES

Table A.1. Total agency technical co-operation project expenditure by source of funds for the biennium 1988-1989

(Thousands of US dollars)

<u>Agency</u>	<u>Regular programme</u>	<u>UNDP</u>	<u>Other extrabudgetary</u>	<u>Total</u>
United Nations	18 026	201 523	96 040	315 589
UNCTAD	1 215	23 608	6 672	31 495
UNDP/OPS		165 021	267 262 <u>a/</u>	432 283
ECA	3 908	18 812	13 679	36 399
ECE	317	685	2 251	3 253
ECLAC	1 930	4 406	13 075	19 411
ESCAP	3 413	16 614	19 208	39 235
ESCWA	2 348	389	2 328	5 065
UNCHS	1 697	30 355	4 385	36 437
ITC		28 417	27 592	56 009
ILO	27 778	119 999	120 731	268 508
FAO	56 793	324 772	326 763	708 328
UNESCO	10 136	62 605	86 800	159 541
ICAO		74 779	17 084	91 863
WHO	475 576	45 063	491 929	1 012 568
World Bank	183 200 <u>b/</u>	125 100	164 000 <u>b/</u>	472 300
UPU	2 173	4 613	1 080	7 866
ITU	6 967	49 838	14 023	70 828
WMO	1 489	28 334	7 547 <u>c/</u>	37 370
IMO		11 120	7 528	18 648
WIPO	5 357	6 482	4 663	16 502
UNIDO	8 836	156 853	77 663	243 352
IAEA	62 099	6 156	13 208	81 463
WTO		5 088		5 088
AsDB	56 950	15 701	6 585	79 236
<b>Total, 1988-1989</b>	<b>930 208</b> 21.9%	<b>1 526 333</b> 35.9%	<b>1 792 096</b> 42.2%	<b>4 248 637</b> 100.0%
<b>Total, 1986-1987 <u>d/</u></b>	<b>682 370</b> 20.8%	<b>1 271 140</b> 38.7%	<b>1 330 173</b> 40.5%	<b>3 283 683</b> 100.0%
<b>Total, 1984-1985</b>	<b>620 284</b> 22.7%	<b>1 045 127</b> 38.2%	<b>1 068 091</b> 39.1%	<b>2 733 502</b> 100.0%
<b>Total, 1982-1983</b>	<b>547 718</b> 20.0%	<b>1 193 618</b> 43.4%	<b>1 007 193</b> 36.6%	<b>2 748 529</b> 100.0%

(Footnotes on following page)

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(Footnotes to table A.1)

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a/ Includes management services.

b/ Was not included in the previous report.

c/ Includes 4 per cent of \$15,280,000 or \$611,200 as estimated value of assistance provided through the WMO Voluntary Co-operation Programme. See the narrative text (annex II, sect. Q).

d/ Adjustment made to the previously reported figures.

Table A.2. Total agency support cost earnings by source of funds for the biennium 1988-1989

(Thousands of US dollars)

<u>Agency</u>	<u>Regular budget</u>	<u>UNDP</u>	<u>Other extrabudgetary</u>	<u>Total</u>
United Nations	31 817	25 339	10 696	67 852
UNCTAD	2 958	3 249	879	7 086
UNDP/OPS		15 685	17 461 a/	33 146
ECA		1 551	1 449	3 000
ECE	534	89	109	732
ECLAC	1 131	573	2 229	3 933
ESCAP	3 413	2 160	2 487	8 060
ESCWA	611	51	303	965
UNCHS		3 936	943	4 879
ITC	4 834 b/	3 815 c/	3 953	12 602 d/
ILO	47 830	15 491 e/	14 085	77 406
FAO	41 943	41 900	31 159	115 002
UNESCO	19 866	8 487	9 304	37 657
ICAO	5 338 f/	9 381	2 217	16 936
WHO	103 245	4 600	27 647	135 492
World Bank	23 837	12 800	18 125	54 762
UPU	1 652	1 091		2 743
ITU	5 982 g/	6 111 h/	1 467	13 560
WMO	1 837 i/	4 853	1 127	7 817
IMO	3 316	2 314	1 028	6 658
WIPO	3 595	1 426	281	5 302
UNIDO	52 959	20 675	9 534	83 168
IAEA	32 261	1 439		33 700
WTO	1 430 j/	1 069		2 499
AsDB	25 851	2 030	293	28 174
<b>Total, 1988-1989</b>	<b>416 240</b> 54.5%	<b>190 115</b> 24.9%	<b>156 776</b> 20.5%	<b>763 131</b> 100.0%
<b>Total, 1986-1987 k/</b>	<b>362 563</b> 57.5%	<b>159 678</b> 25.3%	<b>108 633</b> 17.2%	<b>630 874</b> 100.0%
<b>Total, 1984-1985</b>	<b>227 455</b> 49.1%	<b>139 525</b> 30.2%	<b>95 678</b> 20.7%	<b>462 658</b> 100.0%
<b>Total, 1982-1983</b>	<b>231 514</b> 48.4%	<b>157 113</b> 32.8%	<b>90 184</b> 18.8%	<b>478 811</b> 100.0%

(Footnotes on following page)

(Footnotes to table A.2)

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a/ Includes fees received from management services.

b/ Input financed by regular budget.

c/ Includes \$195,000 supplementary support costs to cover exchange variance (Governing Council decisions 88/52 and 88/53).

d/ Equivalent to 22.5 per cent of expenditures and technical co-operation programme as reported in table A.1.

e/ Excludes additional support costs income of \$1,041,000 to cover exchange rate losses.

f/ Funded by extrabudgetary reserve fund for technical assistance activities.

g/ Includes shortfall in income (\$4,254,000) financed by ITU's own resources.

h/ Excludes ad hoc additional support cost reimbursement for 1987 amounting to \$462,000 paid in 1988.

i/ Includes regular budget emergency funds of \$1,104,000. See the narrative text (annex II, sect. Q).

j/ Includes unspent balance and savings of \$9,104.

k/ Adjustment made to the previously reported figures.

Table A.3. Total agency support cost expenditure from all sources of funds combined and by object of expenditure for the biennium 1988-1989

(Thousands of US dollars)

Agency	Salaries and common staff costs	Official travel	Contractual services	General operating	Supplies and materials	Furniture and equipment	Other a/	Total
United Nations	56 521	543	1 628	2 714	1 086	1 221	4 139	67 852
UNCTAD	6 746	35					305	7 086
UNDP/OPS	17 158	775	689	6 272	336	1 732	6 184	33 146
ECA	1 874	450	548			30	98	3 000
ECE	692	(2)		4	6	32		732
ECLAC	3 354	141	3	180	3	38	214	3 933
ESCAP	7 311	66	91	280	51	85		7 884
ESCWA	565	355			35	10		965
UNCHS	3 448	168	45	789	73	141	41	4 705
ITC	11 970	12	270	15	25	60	250	12 602
ILO	68 737						8 669	77 406
FAO	97 752	1 380	690	805	690		13 685	115 002
UNESCO	34 200	1 600					1 857	37 657
ICAO	14 742	240		1 240	138	414	162	16 936
WHO	82 326	608	2 935	31 355	4 881	9 950	3 437	135 492
World Bank	29 678	5 115		7 418			12 551	54 762
UPU	2 433	150			42	118		2 743
ITU	12 479	432		272	255		122	13 560
WMO	7 501	60		100	138	18		7 817
IMO	4 025	220		887	49	25	1 452	6 658
WIPO	4 408	120		774				5 302
UNIDO	78 883	2 842	29	594	137	677	6	83 168
IAEA	26 658	214	34	3 662	305	96	2 731	33 700
WTO	2 184	80	9	158	21	47		2 499
AsDB	22 337	1 803	1 042				2 992	28 174
<b>Total, 1988-1989</b>	<b>597 982</b> 78.4%	<b>17 407</b> 2.3%	<b>8 013</b> 1.1%	<b>57 519</b> 7.5%	<b>8 271</b> 1.1%	<b>14 694</b> 1.9%	<b>58 895</b> 7.7%	<b>762 781</b> 100.0%
<b>Total, 1986-1987</b>	<b>507 042</b> 79.3%	<b>12 456</b> 1.9%	<b>12 906</b> 2.0%	<b>57 790</b> 9.0%	<b>7 842</b> 1.2%	<b>11 168</b> 1.8%	<b>30 429</b> 4.8%	<b>639 633</b> 100.0%
<b>Total, 1984-1985</b>	<b>364 866</b> 77.9%	<b>10 837</b> 2.3%	<b>10 391</b> 2.2%	<b>40 111</b> 8.5%	<b>4 750</b> 1.0%	<b>11 070</b> 2.4%	<b>26 541</b> 5.7%	<b>468 566</b> 100.0%
<b>Total, 1982-1983</b>	<b>403 825</b> 83.4%	<b>10 750</b> 2.2%	<b>4 068</b> 0.8%	<b>25 472</b> 5.3%	<b>4 487</b> 0.9%	<b>4 147</b> 0.9%	<b>31 334</b> 6.5%	<b>484 083</b> 100.0%

a/ Includes other objects of expenditure as well as costs which could not be identified separately by agencies.

/...

Table A.4. UNDP percentage share of total agency support cost earnings compared with UNDP percentage share of total agency technical co-operation expenditure from 1982 to 1989

Agency	UNDP percentage share of total agency support cost earnings				UNDP percentage share of total agency technical co-operation expenditure			
	1982-1983	1984-1985	1986-1987	1988-1989	1982-1983	1984-1985	1986-1987	1988-1989
United Nations	40.3	40.3	33.7	37.3	66.9	62.7	58.0	63.9
UNCTAD	55.1	48.2	41.1	45.9	86.9	75.6	68.5	75.0
UNDP/OPS	74.7	61.0	52.4	47.3	63.1	50.4	43.1	38.2
ECA	29.6	33.0	33.6	51.7	46.0	45.6	48.6	51.7
ECE	45.8	37.0	10.2	12.2	73.8	59.8	28.0	21.1
ECLAC	15.1	12.0	12.2	14.6	21.8	17.0	18.5	22.7
ESCAP	24.1	23.2	25.1	26.8	40.9	36.7	39.6	42.3
ESCWA	19.5	13.9	14.2	5.3	22.0	24.0	24.5	7.7
UNCHS	48.8	46.9	89.6	80.7	81.2	79.1	87.3	83.3
ITC			26.0	30.3			45.8	50.7
ILO	24.3	24.6	19.7	20.0	47.7	43.5	43.5	44.7
FAO	44.8	38.2	29.2	36.4	48.1	40.4	41.1	45.9
UNESCO	34.8	30.0	25.5	22.5	42.4	38.0	42.0	39.2
ICAO	59.3	64.3	73.3	55.4	58.2	62.7	73.8	81.4
WHO	5.4	4.0	3.4	3.4	5.7	4.1	4.6	4.5
World Bank	a/	a/	a/	23.4	a/	a/	a/	26.5
UPU	43.7	40.3	29.5	39.8	63.7	61.7	52.9	58.6
ITU	65.1	71.6	67.2	45.1	74.3	74.3	73.3	70.4
WMO	62.5	70.9	56.7	62.1	67.7	56.8	75.5	75.8
IMO	59.7	54.2	42.5	34.8	66.8	64.6	56.7	59.6
WIPO	21.8	26.7	21.6	26.9	33.9	39.0	34.4	39.3
UNIDO	35.4	33.2	25.6	24.9	72.7	65.1	71.8	64.5
IAEA	10.9	5.5	4.1	4.3	16.8	5.6	4.7	7.6
WTO	41.3	49.0	45.7	42.8	100.0	100.0	100.0	100.0
AsDB	7.1	6.8	7.5	7.2	24.6	22.7	23.1	19.8
Total weighted average	32.8	30.2	25.3	24.9	43.4	38.2	38.7	35.9

a/ Information available from agency related only to UNDP-financed activities.

Table A.5. Ratio of total agency support cost expenditure to total technical co-operation expenditure from 1982 to 1989

(Percentage)

<u>Agency</u>	<u>1982-1983</u>	<u>1984-1985</u>	<u>1986-1987</u>	<u>1988-1989</u>
United Nations	21.3	21.3	21.5	21.5
UNCTAD	22.0	22.5	22.5	22.5
UNDP/OPS	8.1	8.6	6.8	7.7
ECA	20.2	19.3	19.4	8.2
ECE	22.5	22.5	35.5	22.5
ECLAC	20.1	19.8	20.5	20.3
ESCAP	21.2	22.5	20.8	20.1
ESCWA	14.7	22.5	22.5	19.1
UNCHS	21.8	22.2	13.7	12.9
ITC			22.5	22.5
ILO	27.4	24.8	29.6	28.8
FAO	14.7	14.5	19.3	16.2
UNESCO	16.7	17.4	21.8	23.6
ICAO	16.7	17.1	17.4	18.4
WHO	14.1	12.5	14.3	13.4
World Bank	10.4	10.2	10.3	11.6
UPU	32.0	33.7	39.3	34.9
ITU	17.5	17.0	19.8	19.1
WMO	16.0	11.8	22.9	20.9
IMO	19.4	23.9	27.8	35.7
WIPO	34.0	32.2	34.9	32.1
UNIDO	27.0	27.2	36.4	34.2
IAEA	33.3	25.6	24.8	41.4
WTO	19.6	21.2	40.2	49.1
AsDB	18.8	43.2	39.9	35.6
Average	17.6	17.1	19.5	18.0



## Annex II

### NARRATIVE TEXTS OF INFORMATION PROVIDED BY EXECUTING AGENCIES

#### A. United Nations

Reported expenditure of \$315.589 million, as shown in table A.1 of annex I, reflects a decrease of approximately \$13.9 million during the biennium 1988-1989 over 1986-1987. This reflects the exclusion of the technical co-operation component of general trust funds as they are no longer identified separately in the United Nations financial statements. Disregarding the adjustments for general trust funds, total programme delivery increased by \$34.0 million or 12.1 per cent. This is composed of an increase under the regular programme of the United Nations of approximately \$3.5 million or 24.1 per cent, for UNDP of approximately \$10.5 million or 5.5 per cent, and for other extrabudgetary project expenditure of approximately \$20.0 million or 26.3 per cent. The latter represents, in particular, an increase in expenditure of approximately \$18.5 million under the United Nations Population Fund (UNFPA). The percentage of support cost expenditures to all technical co-operation delivery of the United Nations remained at approximately the same level as compared with the biennium 1986-1987 i.e., 21.5 per cent.

#### B. United Nations Conference on Trade and Development (UNCTAD)

As indicated in previous reports, UNCTAD does not maintain cost accounts in a manner from which the extent of the regular budget contribution to support costs can be precisely determined. Thus, total programme support costs have been estimated at 22.5 per cent of UNCTAD's total operational expenditures for technical co-operation programmes during the biennium. On this basis, total expenditures on programme support were \$US 7,086,000 for the biennium 1988-1989, made up of \$3,249,000 from UNDP support cost reimbursements, \$879,000 from trust funds and other technical co-operation funds, and \$2,958,000 from the regular budget.

#### C. UNDP/Office for Project Services (OPS)

A comparison of the source of funding (table A.3) for the projects handled by OPS between 1986-1987 and 1988-1989 shows that UNDP-funded project expenditures increased by 36 per cent while the projects funded under management services agreements and other funds increased by 67 per cent. It appears that this trend may continue in the biennium 1990-1991.

The average support cost rate (total project support costs divided by total project delivered expenditure) increased from 6.8 per cent in 1986-1987 to 7.7 per cent in 1988-1989. Administrative expenditures, including payments of \$6,184 to UNDP for central services, increased by 75 per cent between 1986-1987 and 1988-1989 while project delivery expenditure increased by 54 per cent during the

same period. However, \$2.6 million incurred in 1989 represents costs of moving to new premises. If this cost is distributed over a period of 10 years, the average support cost rate will be reduced to 7 per cent in 1988-1989 and the administrative expenditures will increase by 62 per cent between 1986-1987 and 1988-1989.

#### D. Economic Commission for Africa (ECA)

The Economic Commission for Africa (ECA) continued to carry out a programme of technical co-operation aimed at furthering the economic and social development of the countries of the region.

It is in this connection that an amount of \$1.5 million from regular programme funds was expended to support the services of 10 regional advisers and to assist the Multinational Programming and Operational Centres (MULPOCs). Regional and subregional activities financed by the regular programme were carried out in economic co-operation, public administration and finance, social development, statistics, transport communications, tourism, energy, administrative and common services. In addition, three study tours and workshops were organized in the Union of Soviet Socialist Republics and financed in non-convertible currency.

The Commission also carried out activities pertaining to projects financed by UNDP and amounting in total to \$US 12,407,943. These activities were in the field of development issues and policies, human settlements, industrial development, international trade, natural resources, women's programmes, public administration, social development, statistics, transport, communication, tourism and economic integration.

In addition to the above, the United Nations Population Fund (UNFPA) financed ECA activities on demographic statistics, population information networks, census research and training for a total amount of \$4,205,986.

The contribution of the United Nations Environment Programme (UNEP), amounting to \$251,728, was utilized for ECA operational activities in the field of environment, drought and desertification.

From the United Nations Trust Fund for African Development Activities (UNTFADA) an amount of \$702,042 was made available for projects in the field of development issues, industrial development, international trade, natural resources, social development, and administrative and common services.

The United Nations Development Fund for Women (UNIFEM) provided \$261,242 for strengthening national machineries for the integration of women in development and for support to activities of the African Training and Research Centre for Women.

Bilateral donors, Governments and organizations provided direct grants totalling \$2,434,691 for expert services under non-reimbursable loan arrangements and trust funds for the implementation of technical co-operation projects in the field of development policies, food and agriculture, industry, natural resources, energy, population, public administration and finance, science and technology, social development, statistics and transport.

#### E. Economic Commission for Europe (ECE)

Support cost income relating to UNDP-financed technical co-operation activities during the biennium 1988-1989 remains at a level inferior to that attained in 1981. The activities financed from the regular budget (section 24) do not generate support cost income for ECE. In addition, a very large portion (84 per cent or \$1,409,155) of deliveries on activities financed from other extrabudgetary sources is exempted from programme support cost charges.

Consequently, the principal burden of backstopping the entire ECE technical co-operation programme has fallen upon the very small administrative unit which is entirely financed by the regular budget except for one General Service post.

Actual programme support reimbursement income received from UNDP and UNFPA is shown in table A.2. The figure attributed for the regular budget (which is higher than the "source" in table A.1) is the effect of the application of the formula of calculating 22.5 per cent of total technical co-operation expenditures less amounts reimbursed by UNDP and UNFPA.

#### F. Economic Commission for Latin America and the Caribbean (ECLAC)

During the biennium 1988-1989 the total technical co-operation expenditure increased by more than \$US 3 million (18.7 per cent) as compared with resources available during 1986-1987; consequently, support costs income increased in a similar proportion.

Consistent with the policy adopted some years ago regarding the need to diversify the use of resources from programme support costs, the amount of resources destined to salaries and other staff costs continued to decline proportionately as compared with other expenditures. Of the total expenditures in 1988-1989, 85 per cent was incurred in costs for staff posts.

#### G. Economic and Social Commission for Asia and the Pacific (ESCAP)

It is estimated that a total income of \$US 8,059,781 was received from the regular budget, UNDP and other extrabudgetary sources. Since ESCAP does not maintain cost accounts to determine the regular budget contributions to support costs, the regular budget contribution was estimated to be \$3,413,379, representing the total estimated income less amounts received from UNDP and other extrabudgetary sources in the biennium 1988-1989 (\$8,059,781 less \$4,646,402).

As regards support cost expenditure, the regular budget contribution of \$3,413,379 was included in the total expenditure of \$7,884,425 incurred during the biennium 1988-1989. Thus, a total expenditure of \$4,471,046 (\$7,884,425 less \$3,413,379) was incurred in implementing UNDP and other extrabudgetary activities. It is expected that the present expenditure level will continue to be required

while every measure will be taken to effect economies for the implementation of UNDP and technical co-operation projects for financing the personnel essential for programme management, and administrative and project backstopping. In addition, it should be noted that ESCAP regular staff, both Professional and General Service, are continuously working in support of UNDP and technical co-operation project activities.

Based on the present level of support cost expenditure of \$4,471,000, a minimal target of project deliveries of \$34,400,000 is essentially required on UNDP-financed and other extrabudgetary projects in order to derive sufficient income to meet the required support cost expenditure. In view of higher UNDP and extrabudgetary resources available in the biennium 1988-1989, a total amount of \$35,821,251 on project deliveries was achieved, resulting in a total support income of \$4,646,402 received as compared to the incurred expenditure of \$4,471,402 in the biennium 1988-1989.

#### H. United Nations Centre for Human Settlements (UNCHS)

The trend of UNCHS programme support costs income for the biennium 1988-1989 from UNDP, UNDP-administered trust funds and other trust fund project activities from 1979 to at least 1987 had been that of excess expenditure over income. An improvement in the support cost income had been realized during the biennium 1988-1989, although still insufficient to allow UNCHS to increase its operating reserve by 20 per cent annually as required by the United Nations Financial Regulations. The excess programme support income over expenditure for the biennium 1988-1989 was \$173,935.00 as compared with the deficit of \$127,051.00 over the previous biennium. The level of 1988-1989 delivery is expected to prevail in the biennium 1990-1991, which does raise hope for more programme support income; the level of programme support expenditure for the biennium is expected to be more or less the same as for 1988-1989 as no reduction of expenditure level is possible.

#### I. International Trade Centre (ITC)

ITC is a joint subsidiary organ of the General Agreement on Tariffs and Trade (GATT) and the United Nations, the latter acting through UNCTAD. Its principal function is to provide assistance to developing countries in the field of trade promotion; it is the focal point for all United Nations technical assistance activities in this field. ITC became an executing agency of UNDP on 1 January 1984.

Total ITC expenditure amounted to \$45.7 million in 1989 (\$88.8 million for the biennium 1988-1989), of which \$29.6 million went for technical co-operation projects (\$56.0 million for the biennium) and \$3.7 million for support costs (\$7.0 million for the biennium); support costs expenditures amounted to 23 per cent of headquarters activities, the United Nations and GATT contributing 38.5 per cent each in 1989.

ITC does not maintain its accounts in a manner which would allow it to define precisely the extent of the regular budget contribution to support costs. Total

programme support costs expenditure have thus been estimated, as in other United Nations entities, at 22.5 per cent of the total operational expenditures for technical co-operation during the biennium.

On this basis, total expenditure on programme support amounted to \$12,602,000 for the biennium 1988-1989 (\$10,216,000 in 1986-1987), made up of 51 per cent support cost reimbursement from UNDP and other technical co-operation funds, and 49 per cent from other inputs and from the regular budget.

The ITC technical co-operation programme for the biennium 1988-1989 amounted to \$56.03 million (\$26.43 million in 1988 and \$29.6 million in 1989), moving from \$21.2 million for each year of the biennium 1986-1987.

#### J. International Labour Organisation (ILO)

Total technical co-operation expenditure in 1988-1989 increased by some 23 per cent compared with 1986-1987. Expenditure for UNDP-financed projects rose by just over 26 per cent and that for technical co-operation financed by the regular budget and other extrabudgetary funds increased by some 20 per cent. The rising trend of expenditure which commenced in the biennium 1986-1987 with an overall increase of 26 per cent over 1984-1985 thus continued in 1988-1989.

The average value of the dollar in 1988-1989 declined by 7 per cent, the average United Nations monthly accounting rate of exchange between the Swiss franc and the United States dollar being 1.54 in 1988-1989 compared with 1.66 in 1986-1987. Despite the upward cost pressure of adverse currency fluctuations and cost increases, there was a slight decrease in the ratio of support costs to project expenditure from 29.6 per cent in 1986-1987 to 28.8 per cent in 1988-1989 thanks mainly to economies of scale resulting from expanded technical co-operation delivery and also to further incremental efficiency savings resulting from a continuing process of rationalization of working methods and automation of operations.

During the biennium 1988-1989, the ILO once again faced financial difficulties under its regular budget because of adverse exchange rate fluctuations and significant shortfalls in the receipt of assessed contributions. Under these circumstances, the continuing need for a substantial regular budget subsidy to meet the excess of support costs expenditure over support costs revenue made it increasingly difficult to maintain the quality and timeliness of essential backstopping and support services except at the expense of other regular budget activities.

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

The overall expenditures relating to programmes and projects financed by extrabudgetary funding sources amounted to \$149.4 million during 1988-1989, which represented an increase of 7 per cent over the delivery in 1986-1987

(\$139.3 million). UNDP continued to be the major funding source for technical co-operation projects (42 per cent) followed by UNFPA (12 per cent). The remaining 46 per cent included not only trust funds and technical assistance projects financed by loans and credits from the World Bank and regional banks, but also voluntary contributions for cultural campaigns, special funds for world cultural and natural heritage, development of communication (International Programme for Development of Communication), oceanography (Intergovernmental Oceanographic Commission), hydrology (International Hydrological Programme), informatics (Intergovernmental Informatics Programme), etc.; gifts, bequests and prizes.

In spite of budgetary constraints, the level of support services was maintained, and even increased in some instances in order to strengthen the organization's operational action (programme planning, sectoral studies, project identification, preparation). The evolution of execution modalities, such as the increased use of national experts (65 per cent of the work-months in 1988, compared to only 21 per cent in 1983), resulted in an increase in the ratio of support cost expenditure to delivery, without a corresponding increase in reimbursements. However, continuous efforts were made, through austerity measures, to keep costs to the minimum without sacrificing programme integrity.

UNESCO does not maintain a cost measurement system, which would enable precise determination of the regular budget support for programme execution. The data given in this report have been estimated based on the cost identification survey carried out by UNESCO in April 1989.

#### L. International Civil Aviation Organization (ICAO)

Total technical co-operation expenditure increased by \$3.1 million, from \$88.8 million in the biennium 1986-1987 to \$91.9 million in the 1988-1989 biennium, or 3.5 per cent. This was attributable solely to the substantial increase in UNDP expenditure of \$9.3 million, from \$65.5 million (1986-1987 biennium) to \$74.8 million (1988-1989 biennium), or 14.2 per cent, which entirely offset the decrease in other extrabudgetary programme expenditure of \$6.2 million, from \$23.3 million (1986-1987 biennium) to \$17.1 million (1988-1989 biennium), or 26.6 per cent.

Total support cost expenditure increased by \$1.5 million, from \$15.4 million (1986-1987 biennium) to \$16.9 million (1988-1989 biennium), or 9.7 per cent. However, total support cost income from UNDP and other extrabudgetary programmes increased by only \$0.3 million, from \$11.3 million (1986-1987 biennium) to \$11.6 million (1988-1989 biennium), or 2.7 per cent. As in the biennium 1986-1987, there was again a shortfall in support cost income, i.e., by \$5.3 million in the biennium 1988-1989. This deficit and that of \$4.1 million in the biennium 1986-1987 were both financed from ICAO's extrabudgetary reserve fund for technical assistance activities. As indicated in the preceding report (DP/1988/54, annex II), with cost reduction measures having been applied since 1982, further meaningful reductions could not be made without adversely affecting the quality of administrative and technical backstopping provided to projects. Moreover, the change in the trend towards shorter-term expert assignments and fellowships

requiring additional support cost input to deliver project expenditure of the same value as the previous bienniums has made it difficult to effect further reductions in support cost expenditure.

#### M. World Health Organization (WHO)

As in previous bienniums, the level of costs for administrative support continued to be closely controlled and held to the minimum, in keeping with resolution WHA29.48 of May 1976. The cost in 1988-1989 of the general services and support programmes (\$129,488,532) and the cost of real estate operations (\$6,003,308), both at headquarters and in the regions, financed under the regular budget and other sources of funds (excluding the Pan American Health Organization (PAHO) and the International Agency for Research on Cancer (IARC)) totalled \$135,491,840 representing 13.38 per cent of obligations incurred for all programme purposes (\$1,012,567,527) under the regular budget and other sources (excluding PAHO and IARC), or 11.80 per cent of all obligations (\$1,148,059,367) incurred under all sources of funds.

#### N. World Bank

Tables A.1-A.3 include all World Bank work classified in its regular budget as assistance and aid co-ordination and all of its support for the Consultative Group on International Agricultural Research (CGIAR) under the heading of technical co-operation. All technical assistance work financed by trust funds is included under other extrabudgetary technical co-operation expenditure.

#### O. Universal Postal Union (UPU)

The breakdown of support costs is available only for the organization's technical co-operation activities funded by UNDP resources. For the programme financed under the regular budget and the UPU Special Fund, the support costs are fully covered by the regular budget. The funds in trust activities represent a minor part of the programme. The total cost of this financial period of the support programme, financed under the regular budget and the reimbursement from UNDP, was \$2,742,885 representing 59.5 per cent of the expenditures of \$4,612,672 incurred under the UNDP funds for programme purposes.

#### P. International Telecommunication Union (ITU)

During the biennium 1988-1989, ITU executed a programme of technical assistance to the value of \$US 70,828,000 (1986-1987: \$61,458,000), an increase of 15.25 per cent over the previous biennium.

The administrative support costs incurred in the delivery programme amounted to \$13,560,000 (1986-1987: \$12,181,000), an increase of 11.32 per cent over the previous biennium. In Swiss francs, the currency in which some 90 per cent of support costs expenditure is incurred, the support costs amounted to SwF 21,095,000 (including regular budget). For the two years 1986-1987, the equivalent figure is SwF 19,655,000, i.e., an increase of 7.33 per cent. The average exchange rate between the United States dollar and the Swiss franc declined slightly from \$US 1 = SwF 1.63 in 1986-1987 to \$US 1 = SwF 1.55.

In United States dollar terms, the support costs amounted to 19.15 per cent of the programme value (the previous two years, 19.82 per cent). Reimbursement amounted to \$9,306,000 or 13.14 per cent of the support costs (1986-1987: \$8,741,000 or 14.22 per cent).

The external element of the programme, UNDP and trust funds, for 1988-1989 amounted to \$63,861,000 (for 1986-1987: \$54,667,000) which represents an increase of 16.82 per cent over the previous biennium. Reimbursement for 1988-1989 at \$7,578,000 represents an increase of 9.24 per cent over 1986-1987 (\$6,937,000). The shortfall between external income and support costs amounted to \$4,254,000 (1986-1987: \$3,441,000), which represents a decrease in income of 23.63 per cent over the previous biennium.

The accumulated shortfall in income up to 1989 is under examination by the ITU Administrative Council for its absorption through the Union's own resources.

As from 1990, the ITU Plenipotentiary Conference in Nice (1989) took important decisions to reinforce the capacity of the Union for telecommunications development and technical co-operation/assistance activities:

(a) Creation of a Telecommunications Development Bureau on the same footing as the other organs of the Union;

(b) Clear recognition of the dual responsibility of the Union (as the specialized agency for telecommunications and as the executing agency for UNDP and other programmes);

(c) A budget increase for the regular programme of technical co-operation activities with provision for the responsibility of ITU in its partnership role as a specialized agency of the United Nations system. It is expected that the shortfall in income for 1990 and 1991 will be covered by the regular budget of the Union.

#### Q. World Meteorological Organization (WMO)

The very low Swiss franc-United States dollar exchange rate continues to affect very adversely the real income from support cost revenues of centralized agencies such as WMO located in Geneva. The loss of revenue as a result of the exchange of United States dollar funds into Swiss francs for salaries has placed a severe burden on the operation of technical co-operation by WMO. The support costs



are computed in United States dollars while 95 per cent of WMO expenditure of these funds is in Swiss francs. To accommodate this disproportionate loss of funds with which to fund technical co-operation support activities, it has been necessary to apply economy measures including understaffing, thereby losing opportunities of optimum implementation of the projects on the one hand and on the other hand adding to the burden of the personnel involved in technical co-operation. Through the generated outside sources of income, e.g. trust funds which provide 14 per cent for support costs, the situation has been somewhat ameliorated but not without problems of additional work-load without comparable increase in staff resources.

The WMO regular budget provided almost \$US 1.5 million in 1988 and 1989 combined to augment the funds with which to meet the costs of administering the WMO technical co-operation programme. This has meant cutting back, curtailing and/or stopping some important activities as this sum was not foreseen in the regular budget. This very essential stopgap measure is not realistic nor cost-effective management in the long term.

The total technical co-operation expenditure for 1986 and 1987 was just over \$30 million. This same expenditure amounted to almost \$40 million in 1988 and 1989, an increase of 33 per cent, while WMO operated with a curtailed technical co-operation staff. This is further compounded by the following facts.

In WMO's very technical and highly specialized field, the implementation of projects has become even more labour intensive in recent years - at a time when economies in staff resources were required. The increased implementation of sophisticated computer systems, including integration of hardware and software, has resulted in a considerably increased vigilant participation by the secretariat staff. This is because of the ever-increasing need for standardization and compatibility on a world-wide basis. It is not possible just to select the lowest bidder on components to a system and hope it will perform to the stringent standards required. This trend will place an even greater burden on the staff in the future.

Flexibility is indispensable to small agencies such as WMO. WMO feels that three improvements to the current system of reimbursement of support costs are essential:

(a) In recent years, WMO's UNDP delivery has been fluctuating between \$12 million and \$15 million but its support costs from UNDP have been around \$2 million per year no matter what the actual delivery has been. It is essential that compensation for variable costs be introduced in the present system in addition to allowing for quantum increases in fixed costs (80-90 per cent of WMO support cost income goes towards fixed costs - mainly salaries);

(b) It is vital for WMO to receive accommodation for currency fluctuations. Ninety-five per cent of its expenditure is in Swiss francs while the support costs are computed in United States dollars. WMO has proved that it accepts downward adjustment in United States dollars due to currency movements;

(c) The thresholds for flexibility need to be increased. Considering inflation, it seems that the upper threshold should be increased from \$15 million to at least \$20 million. It would seem appropriate (and indispensable) to review the thresholds periodically, but in no case less often than every four to five years.

In addition to the UNDP programme and some trust funds, WMO manages a Voluntary Co-operation Programme (VCP). For 1988 and 1989 VCP totalled \$15.280 million. However, some 96 per cent of the VCP projects was executed by the donor countries and not by the WMO secretariat; WMO's role has been limited to publicizing the needs of the developing countries and bringing the donors and the recipients together. Therefore the figures in table A.3 refer only to the 4 per cent of the VCP projects executed by WMO directly. It is worth noting that while over 75 per cent of WMO direct execution technical co-operation funding comes from UNDP, only 62 per cent of the support cost income is provided by UNDP (see tables A.1 and A.2).

#### R. International Maritime Organization (IMO)

Support cost income received by IMO is used to finance backstopping of the organization's technical co-operation programme (which is financed entirely from voluntary sources) at headquarters. In the main, this headquarters expenditure relates to the costs of staff based in London who are involved exclusively with technical co-operation activities. This enables almost all expenditure to be clearly identified as directly related to technical co-operation work. There are certain posts which are financed by the regular budget and by trust funds. In addition, considerable support is given to the programme by staff financed from the regular budget, and a small proportionate share of the costs of such staff (based on the percentage of time spent on technical co-operation work) is also included in total support cost expenditure.

#### S. World Intellectual Property Organization (WIPO)

Efforts have continued during the biennium 1988-1989 to reduce support costs to the extent possible without affecting the quality and timeliness of project delivery. In view of the sustained expansion of WIPO's development co-operation programme, which enabled some economies of scale to be made, these efforts have resulted in a reduction of the ratio of support costs to programme expenditure for the biennium 1988-1989 (32.1 per cent) as compared to the biennium 1986-1987 (34.9 per cent). However, the still limited size of WIPO's development co-operation programme implies that the support cost reimbursements received from UNDP remain notably insufficient to cover the actual cost of supporting WIPO-executed UNDP projects, and they still have to be considerably supplemented by regular budget resources.

#### T. United Nations Industrial Development Organization (UNIDO)

In accordance with Governing Council decision 88/51 of 1 July 1988, UNIDO is submitting an ex post facto report on agency support costs for the biennium 1988-1989.

Support cost expenditures are, for the most part, incurred in Austrian schillings. Operational budget programmes are therefore vulnerable to fluctuations in the dollar/schilling exchange rate. In 1988-1989, the exchange rate fluctuated from \$US 1 = S11.10 in January 1988 to S14.10 in June 1989. During 1989, strenuous efforts were made to reduce costs in the operational budget.

During the biennium 1988-1989 biennium, the level of technical assistance delivery increased by 28.5 per cent over the 1986-1987 level. Support costs as a percentage of delivery, on the other hand, decreased by 5.3 per cent. Notwithstanding this, as pointed out on previous occasions, the present 13 per cent reimbursement provided to UNIDO for technical assistance delivery would appear to be inadequate.

#### U. International Atomic Energy Agency (IAEA)

Total expenditures on technical co-operation during 1988-1989 amounted to \$81 million, and support costs amounted to \$33.7 million or 41 per cent of the programme during that period.

The expenditures in respect of UNDP-financed projects amounted to \$6.2 million during 1988-1989 compared to \$4.7 million during 1986-1987, representing an increase of 31.2 per cent. The support cost received thereon amounted to \$1.4 million for the biennium 1988-1989 compared to \$1.1 million for 1986-1987. Support cost reimbursements are treated as miscellaneous income in the administrative budget.

It should be noted that special effort is needed to cope with UNDP requirements for project execution since the majority of projects executed by IAEA are subject to different procedures.

#### V. World Tourism Organization (WTO)

The total support cost income for 1988 and 1989, as indicated in table A.2, amounted to \$2,499,235.80 of which the sum of \$1,421,334.60, i.e. 56.87 per cent, came from WTO regular budget funds.

A comparison between these figures and those of 1986-1987 reveals a considerable increase in total support income. This was basically due to the following facts:

(a) An appreciable increase in total technical co-operation activities (\$4,147,287.80 for 1986-1987 versus \$5,088,215.98 for 1988-1989);

(b) A certain difficulty in distributing efficiently and calculating accurately WTO's support to UNDP-financed project implementation, owing to a reorganization of the secretariat in January 1988, by which technical co-operation staff was entrusted with additional non-technical co-operation functions.

This situation substantially improved in 1989, where the delivery was doubled while support cost hardly increased.

The ratio of support cost to technical co-operation volume is therefore 49.11 per cent for the total biennium, but it is actually only 40.63 per cent for 1989, a level similar to that of 1986-1987, and is expected to be maintained for the next biennium.

As can be seen from table A.3, the organization's regular budget, in line with subparagraph (b) above, covered most of the salaries and common cost of technical co-operation staff and all general operating expenses, while the UNDP support cost income was primarily used to supplement the same budget lines and cover travel and contractual services and strengthen the computerization of technical co-operation work, particularly of the roster of experts.

The trend towards a substantial increase in WTO's technical co-operation activities is likely to grow stronger as a result of the emphasis placed by the new Secretary-General on the operational orientation of the organization, as shown in the further 50 per cent increase in 1990, forecast in relation to 1989 delivery.

#### W. Asian Development Bank (AsDB)

AsDB total costs combined for the years 1988 and 1989 for internal administrative expenses incurred for the total AsDB technical assistance programme for the two years (financed both from the AsDB regular budget and from external resources, including UNDP funds) amounted to \$US 28.174 million (table A.2) representing about 35.557 per cent of the total two-year technical assistance expenditure of \$US 79.236 million (table A.1). The costs for internal administrative expenses are broken down under the UNDP object of expenditure categories as shown in table A.3. The sources of financing of the total AsDB technical assistance programme for two years were the AsDB regular budget (the Bank's own resources), UNDP and other external funds. The amounts and percentage in which each of these sources contributed to the technical assistance programme are shown in table A.1.

The AsDB budget for the year 1990 is as follows:

Total technical assistance expenditure	\$60.5 million
Total internal administrative expenses	\$15.564 million
Percentage	25.73

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