



**WORKING PAPER**

**ASSEMBLY — 37TH SESSION**

**EXECUTIVE COMMITTEE**

**Agenda Item 11: Activities and policy on technical cooperation during the period 2007 - 2009**

**ACTIVITIES AND POLICY ON TECHNICAL CO-OPERATION  
DURING THE PERIOD 2007 – 2009**

(Presented by the Council of ICAO)

**EXECUTIVE SUMMARY**

The first part of this Report provides an update on technical cooperation policies and strategies, including the importance of establishing a more balanced approach for the Technical Co-operation Programme that should ideally address both the sovereignty of States to determine their development priorities and the responsibility of ICAO to promote its Strategic Objectives. It provides information on the restructuring of the Technical Co-operation Bureau carried out in early 2010 in order to increase its efficiency and effectiveness, and to help improve the AOSC Fund financial situation. The second part of the Report presents an analysis of the performance results in the 2007-2009 triennium from the financial and non-quantifiable operational perspectives, offering a comparison with the preceding triennium. It illustrates the Programme delivery by geographical region, by component and by Strategic Objective, and provides information on sources of funding as well as support cost trends. Summaries of the major deliverables by project component, as well as the major achievements by area of assistance, are also provided. In its third part, the Report presents the AOSC Fund results for the 2007-2009 period, as well as the estimated income and expenditure for 2010, complemented by information on the apportionment of costs between the AOSC Fund and the Regular Programme Budget in the reporting period.

**Action:** The Assembly is invited to:

- a) remind Contracting States, when considering the development of their civil aviation, including infrastructures, through the Technical Co-operation Programme, to consider the value of using the ICAO Technical Co-operation Programme for the identification, formulation, analysis, implementation and evaluation of their civil aviation projects;
- b) urge Contracting States, when implementing civil aviation development projects through ICAO, to give due regard to USOAP and USAP findings and recommendations with a view to rectifying identified deficiencies and resolving Significant Safety Concerns within the required time-frame; and
- c) instruct the Secretary General to:
  - i) raise the awareness of States, private sector entities and donors as to the advantages of having recourse to ICAO for the implementation of projects in the civil aviation field;
  - ii) inform all States about the details of the restructuring of the technical cooperation services provided by ICAO and, in particular, any repercussions for the States as to the coordination procedures with the Organization when requesting assistance for the development of their civil aviation infrastructures; and
  - iii) develop an Organization-wide emergency response strategy to assist States in case of natural disaster or national calamities.

<i>Strategic Objectives:</i>	This working paper relates to all Strategic Objectives.
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	Doc 9902, <i>Assembly Resolutions in Force</i> (as of 28 September 2007) A36-WP/48, A36-WP/49 Doc 9892, A36-EX ( <i>Report and Minutes of the Executive Committee</i> )

## 1. GENERAL OVERVIEW

1.1 The ICAO Technical Co-operation Programme is the major operational tool for reinforcing the Organization's technical cooperation mission objectives, including enhancing the capacity of developing countries to implement ICAO Standards and Recommended Practices (SARPs). Its continuing importance has been reaffirmed by the Assembly in several resolutions, *inter alia* in the Consolidated Statement of ICAO Policies on Technical Co-operation (Resolution A36-17), which stipulates that the Technical Co-operation Programme is a permanent priority activity of ICAO that complements the role of the Regular Programme in providing support to States in the effective implementation of SARPs and Air Navigation Plans (ANPs) as well as in the development of their civil aviation administration infrastructure and human resources; and is furthermore one of the main instruments of ICAO to assist States in remedying the safety and security deficiencies identified through ICAO's audit programmes.

1.2 The purpose of the report is to illustrate the Technical Co-operation Programme performance results in the 2007 to 2009 triennium from both the financial and the non-quantifiable operational perspectives, as well as to provide an update on policies and strategies for technical cooperation for the mid to long-term. While the report provides an overview of the activities undertaken during the period, further operational details, including summaries of the major projects implemented, can be found in the Annual Reports of the Council for 2007, 2008 and 2009.

1.3 The major challenge for the 2007-2009 reporting period was to sustain the level of implementation achieved in the previous triennium and, given that the Technical Co-operation Bureau is self-financing and must therefore recover all its administrative costs, to maintain a balance between income and expenditure, while ensuring that overhead charges to projects were kept to a minimum. In particular, effective 1 January 2008, the introduction of a revised policy for recognition of administrative overhead fees from technical cooperation projects, in accordance with International Public Sector Accounting Standards, had an impact on the recognition of Administrative and Operational Services Cost (AOSC) income. In addition, the implementation of the Enterprise Resource Planning (ERP) system Agresso represented a major change for the Organization as a whole and the Technical Co-operation Bureau (TCB) in particular, with a steep learning curve to adapt to the new system, thus requiring additional staff. Of relevance, following a directive from the 36<sup>th</sup> Session of the Assembly regarding the apportionment of costs between the Regular Programme Budget and the AOSC Budget of the Technical Co-operation Bureau, this period also entailed considerable efforts towards the development of a cost recovery policy for indirect costs in relation to support services provided to TCB by the Regular Programme. Finally, a performance audit of the Technical Co-operation Bureau was conducted by the External Auditor in March 2009, resulting in a number of recommendations aiming at improving its efficiency and effectiveness at the management level, which were approved by the Council and are being addressed by the Secretary General through an action plan implemented under the supervision of the Council, ensuring that timely follow-up action has been undertaken.

## 2. POLICY AND STRATEGY FOR TECHNICAL CO-OPERATION

2.1 The Technical Co-operation Programme has been entrusted with the following distinct but complementary roles, which are in line with Article 44 c) and d) of the Convention on International Civil Aviation:

- a) the traditional “technical cooperation” role, derived from the mandate by the United Nations, to provide assistance to civil aviation projects, particularly where these are necessary for the provision of the vital air transport infrastructure and/or the economic development of a State (A36-17, Appendix B, *Resolving Clause 4*). ICAO is guided by the Resolutions of the United Nations General Assembly, which repeatedly emphasize that operational activities should be carried out for the benefit of the countries and in accordance with their own policies and priorities for development. These fundamental principles have been reconfirmed by Council since the establishment of the Technical Co-operation Programme.
- b) the “technical assistance” role entrusted by the ICAO Assembly to assist States in remedying their deficiencies in the field of civil aviation (A36-17, Appendix A, *Resolving Clause 4*). The Assembly (A36-17, Appendix A, *Resolving Clause 1*) “*Recognizes* the importance of the Technical Co-operation Programme for promoting the achievement of the Strategic Objectives of the Organization” and mentions that “ICAO can assist States in advancing their civil aviation and at the same time promote the realization of its Strategic Objectives”.

2.2 A balanced approach for the Technical Co-operation Programme ideally needs to address both the sovereignty of States to determine their development priorities as well as the responsibility of ICAO to promote the Strategic Objectives of the Organization. Considering, however, that the Technical Co-operation Programme is financed, almost in its entirety, by those States requesting assistance on the basis of their national priorities and requirements, while deficiencies may exist in other areas, there is a need to strike a balance between a legitimate request for ICAO assistance by a sovereign State on the one hand and the promotion of the Organization’s priorities in accordance with its Strategic Objectives on the other. In other words, it is necessary to facilitate technical cooperation in response to specific requirements of States while at the same time encouraging States to focus their implementation activities on ICAO priorities and for the Organization to provide technical assistance to remedy deficiencies identified in ICAO audits to those States lacking the required financial and technical resources. Furthermore, consideration should be given to developing an Organization-wide emergency response strategy to coordinate ICAO’s response to natural disaster or national calamities situations in States, bearing in mind the assistance role of the Technical Co-operation Bureau and the Regional Offices in the affected areas.

2.3 It is important to note in this respect, however, that whereas operational activities of the United Nations Funds and Programmes benefit from core (regular) funding as well as voluntary contributions from donors, mainly in the form of annual pledges, allowing these Organizations to fulfill their core mandates, ICAO does not provide funding for its Technical Co-operation Programme, with the result that technical cooperation projects must be funded exclusively from extra-budgetary resources. The decline of core UNDP funding for civil aviation projects, now representing less than 1% of the total ICAO Technical Co-operation Programme, required ICAO to turn to resource mobilization as a source of funding for its technical cooperation projects.

2.4 It is recognized that, since the almost complete withdrawal of the United Nations Development Programme (UNDP) from financing civil aviation projects in the late 1980s, the Technical Co-operation Bureau has not been able to attract significant funding from donor States, financing institutions and other development partners for its assistance activities, mainly due to the proliferation of

funding options and mechanisms within the Organization itself, but also due to the extensive bilateral assistance provided by donor States and other third parties in the civil aviation field. However, TCB has been very successful in raising the awareness and political will of developing countries as to the need for investing in their own development priorities in the civil aviation field with a view to achieving sustainability, while at the same time promoting the implementation of SARPs and rectification of deficiencies.

2.5 As a result, in the past 20 years TCB has developed an important portfolio of projects funded by governments or service providers from developing countries, which have greatly contributed to the enhancement of aviation safety and the development of civil aviation infrastructure worldwide, particularly in the Latin America region. Despite the limited resources available to some other regions, progress steadily continues in this regard with TCB's renewed focus on regional cooperation in the Asia Pacific, Africa and Europe and the Middle East regions, as a means to harness efficiencies and reap the benefits of south-south cooperation. To date, TCB has provided assistance to over 100 countries, through the implementation of an average of 300 projects per year, and field deployment of approximately 4000 international and national experts annually.

2.6 As indicated above, a considerable discrepancy can be observed between the size of the Technical Co-operation Programme implemented in the various geographical regions. There is, therefore, a pressing need to reduce this gap by increasing Programme implementation in regions other than the Americas where programme volumes are currently lower. Furthermore, it is necessary to enhance the Programme's technical assistance role through the mobilization of resources in support of the implementation of ICAO SARPs mainly in the operational safety and aviation security fields, including Universal Safety Oversight Audit Programme (USOAP) and Universal Security Audit Programme (USAP) audit recommendations, as well as in responding to natural disaster or national calamities situations. As part of the Organization's strategy for the next triennium, ICAO will maximize efforts to more systematically promote voluntary contributions to the Technical Co-operation Programme in the form of grants and in-kind contributions under the ICAO Objectives Implementation Funding Mechanism, as well as other forms of financing arrangements, including loans from development banks and commercial banks in cooperation with private sector entities. For this purpose, a new Project Development and Financing Section has been established in TCB to focus exclusively on the mobilization of resources for the implementation of projects in developing countries which lack the required financial resources to implement remedial actions. Priorities will be established for project financing in accordance with the Strategic Objectives of the Organization, giving preference to those activities which will promote early adoption and effective implementation of ICAO standards, taking into account the special needs of least developed countries and the small island developing States, and the particular air transport needs of Africa, thus contributing to the achievement of the United Nations Millennium Development Goals. The Assembly is therefore invited to raise the awareness of States, private entities and donors as to the advantages of having recourse to ICAO for the implementation of projects in the civil aviation field.

### **3. RESTRUCTURING OF THE TECHNICAL CO-OPERATION BUREAU**

3.1 With a view to increasing the efficiency and effectiveness of the Technical Co-operation Bureau, the Secretary General has carried out a major restructuring of the Bureau, with the consolidation of the four geographical field operations sections responsible for project implementation into one Field Operations Section; the disbandment of the Programme Budget Unit, formerly responsible for the preparation and monitoring of the AOSC Budget and project budgets as well as funds certification, with the transfer of some of its functions to the Finance Branch in the Regular Programme; the establishment of a new Project Financing and Development Section to explore all sources of funding for the benefit of States that are in need of assistance; the consolidation of the Regular Programme and Field Procurement functions into one Section; as well as the transfer of the Travel Unit and the TRAINAIR Central Unit to the Regular Programme.

3.2 Consistent with the mandate to strengthen the Regional Offices and in order to enhance the visibility and image of ICAO with Member States, it was further decided to integrate more closely the field operations activities of the Technical Co-operation Bureau within the Regional Offices, taking advantage of their respective strengths and weaknesses. The scope of collaboration includes the reallocation to the Regional Offices of project management tasks through the transfer of the management of regional projects, such as the Co-operative Development of Operational Safety and Continuing Airworthiness Programmes (COSCAPs), the Co-operative Aviation Security Programme (CASP), the Co-operative Arrangement for the Prevention of Spread of Communicable Disease by Air Transport Projects (CAPSCA), the Cooperative Development of Aeronautical Meteorology Services Project (CODEVMET) and other similar projects, as well as other country-specific projects that can be effectively managed in the Region. These projects will be assigned to one Technical Co-operation Officer located in each Regional Office, reporting to the respective Regional Director and funded by TCB's AOSC Fund.

3.3 The collaborative scheme will be implemented over the coming triennium by means of a phased approach starting with the Regional Offices in Bangkok and Lima. Procedures are being developed to ensure the successful transfer of regional projects, which will be assisted by the roll-out of the Agresso system to the Regional Offices. Although these measures will require significant changes and adaptation within and outside of ICAO, it can reasonably be expected that during the course of the next three years, this will result, in the interest of the ICAO Contracting States, in a yet more effective and efficient delivery of the Programme. The Assembly may wish to request the Secretary General to inform all States about the details of the restructuring of the technical cooperation services provided by ICAO and, in particular, any repercussions for the States as to the coordination procedures with the Organization when requesting assistance for the development of their civil aviation infrastructures.

#### 4. PROGRAMME DELIVERY OVERVIEW

##### *Total Programme Delivery*

4.1 The total Technical Co-operation Programme delivered (implemented) in the 2007 to 2009 triennium amounted to US\$460.3 million. Comparison with the preceding triennium (US\$394.2 million) under Table 1 reflects a marginal increase of US\$ 66.1 million or 17 %.

**Table 1 – Total Programme Delivery**

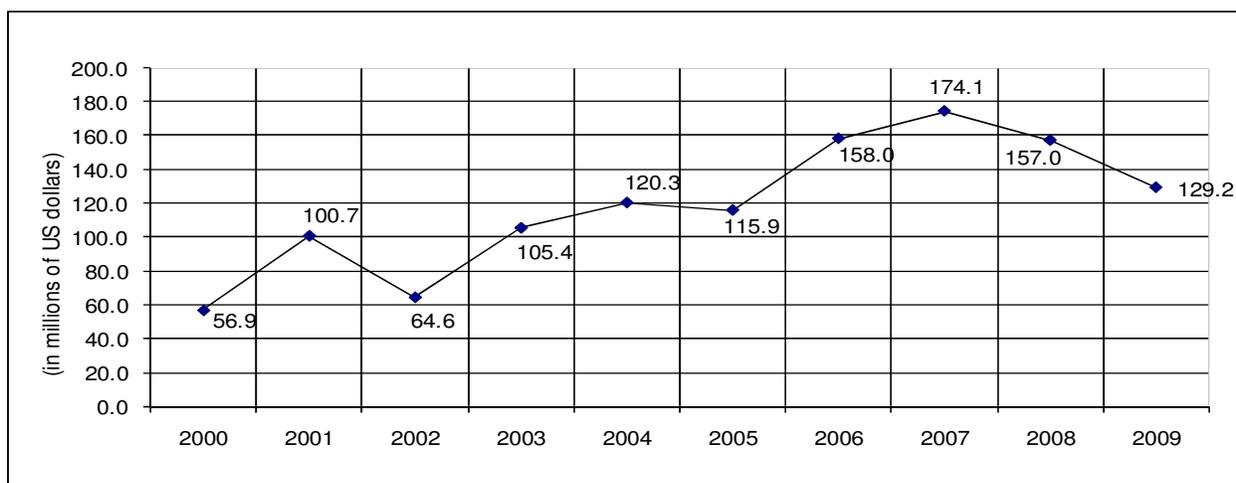
	Total Programme Delivery (in US dollars)	Delivery Rate
2004	120,297,864	77%
2005	115,935,736	79%
2006	157,996,819	93%
2007	174,116,835	75.8%
2008	156,974,837	66.2%
2009	129,274,504	65.6%

##### *Annual Programme Delivery Trend*

4.2 Chart 1 reflects the trend in delivery in the past three triennia, demonstrating on the one hand a significant increase in annual delivery and, on the other the overall Programme fluctuation, influenced by several factors outside the control of ICAO, since projects are implemented at the request of States, depending on the timely deposit of funds and approval of activities by the governments. Between 1997 and 2000, Programme delivery remained relatively stable with a US\$57 million dollar

average, with a year-to-year increase in the subsequent five-year period, rising to US\$115.9 million in 2005. Following the three-year surge from 2006 to 2008, in which Programme delivery reached its highest level at US\$174 million, a downward trend has been registered in the current triennium, which closed with a programme of US\$129.2 million in 2009.

**Chart 1 - Annual Programme Delivery Trend**



### *Sources of Funding*

4.3. The overall sources of funding remain similar to the previous triennium, with the overriding proportion provided by government funding their own projects (99%). Donor contributions amounted to US\$2.7 million (0.5%), as compared to US\$4.6 million (1.2%) in the 2004 to 2006 period, while UNDP core funding remained stable representing less than 1% of the total Programme. Table 2 provides a summary of external contributions by donor under the ICAO Objectives Implementation Funding Mechanism.

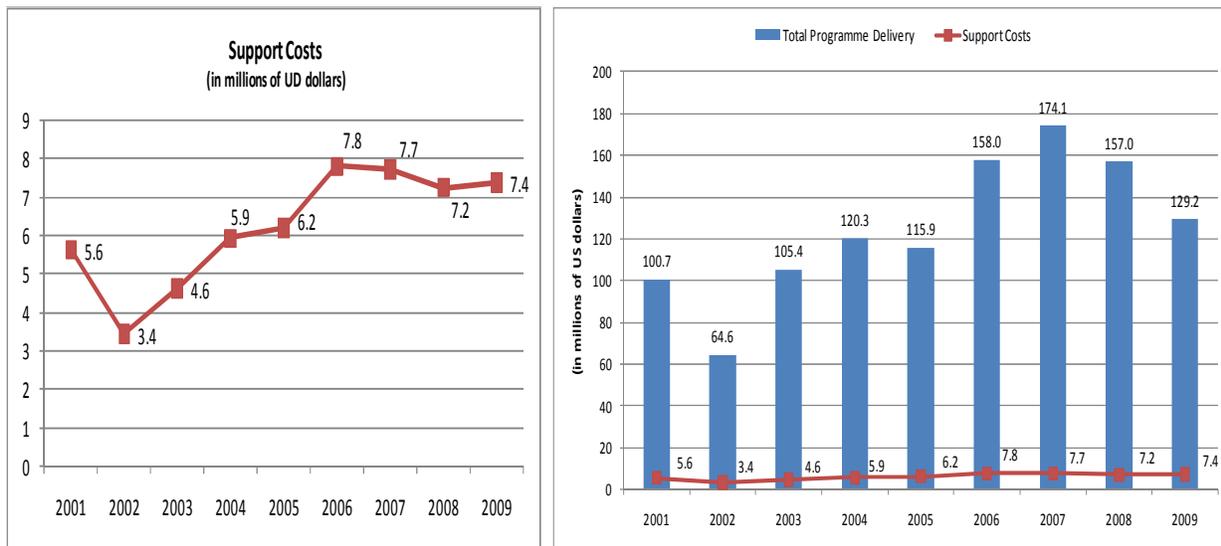
**Table 2 - External Sources of Funding for 2004 to 2009**

Source of funding (in US dollars)	Total 2004-2006	Total 2007-2009	GRAND TOTAL
Asian Development Bank	285,500	0	<b>285,500</b>
Airbus	758,000	507,800	<b>1,265,800</b>
Boeing	645,000	126,000	<b>771,000</b>
European Commission	740,000	519,000	<b>1,259,000</b>
France	60,000	0	<b>60,000</b>
IFFAS	484,700	367,200	<b>851,900</b>
Spain	406,900	416,800	<b>823,700</b>
UNDP Multi-Donor Trust Fund	0	1,151,720	<b>1,151,720</b>
Transport Canada	292,100	342,500	<b>634,600</b>
World Bank	926,900	380,000	<b>1,306,900</b>
<b>Total</b>	<b>4,599,100</b>	<b>3,811,020</b>	<b>8,410,120</b>

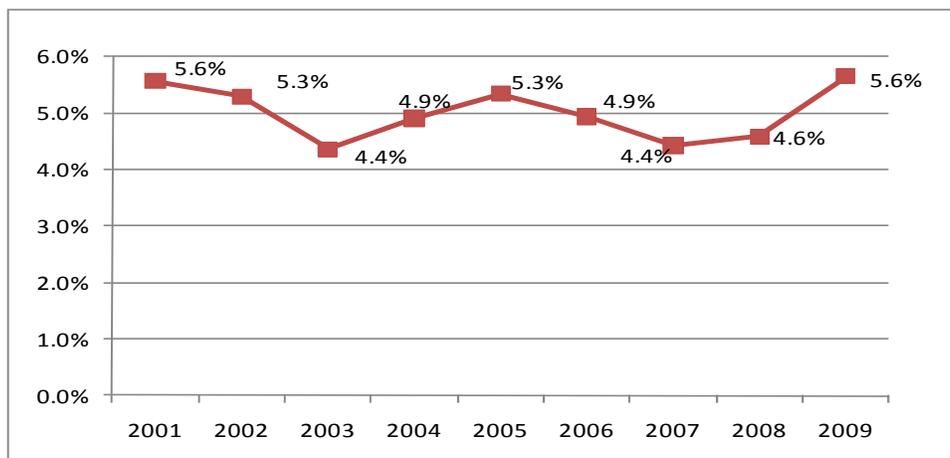
**Support Costs**

4.4 Total support costs recovered for the administration of the Technical Co-operation Programme against total Programme expenditures of US\$460.3 million for 2007 to 2009 amounted to US\$2.2 million, representing an average of 4.8% for the period, as compared to 5.0% and 5.1% in the 2004 - 2006 and 2001 – 2003 triennia, respectively. For transparency purposes, Chart 2 indicates support costs recovered over the past three triennia, confirming the general downward trend in the average ratio of support costs in the current triennium notwithstanding the variation in the Programme volume. This is in line with the request of the Assembly to minimize administrative overhead charges (support costs) to projects to the extent possible (Resolution A36-17). Yearly variations in support cost rates shown in Chart 3 are impacted by the actual distribution of revenue by Programme component, since the equipment and subcontract components carry lower support cost rates as opposed to the personnel or training components. Support costs normally not exceeding 10 per cent are applied to Trust Fund projects as a fixed rate, but may vary by project component under Management Services Agreements, depending on the complexity of the activity. Support cost rates for the Civil Aviation Purchasing Service are variable and regressive with the increase in the size of purchase orders, from 6% to 3%. These rates are negotiated with and agreed to by States and are reflected in the individual agreements signed with ICAO.

**Chart 2 – Support Costs Recovered from 2001 to 2009**



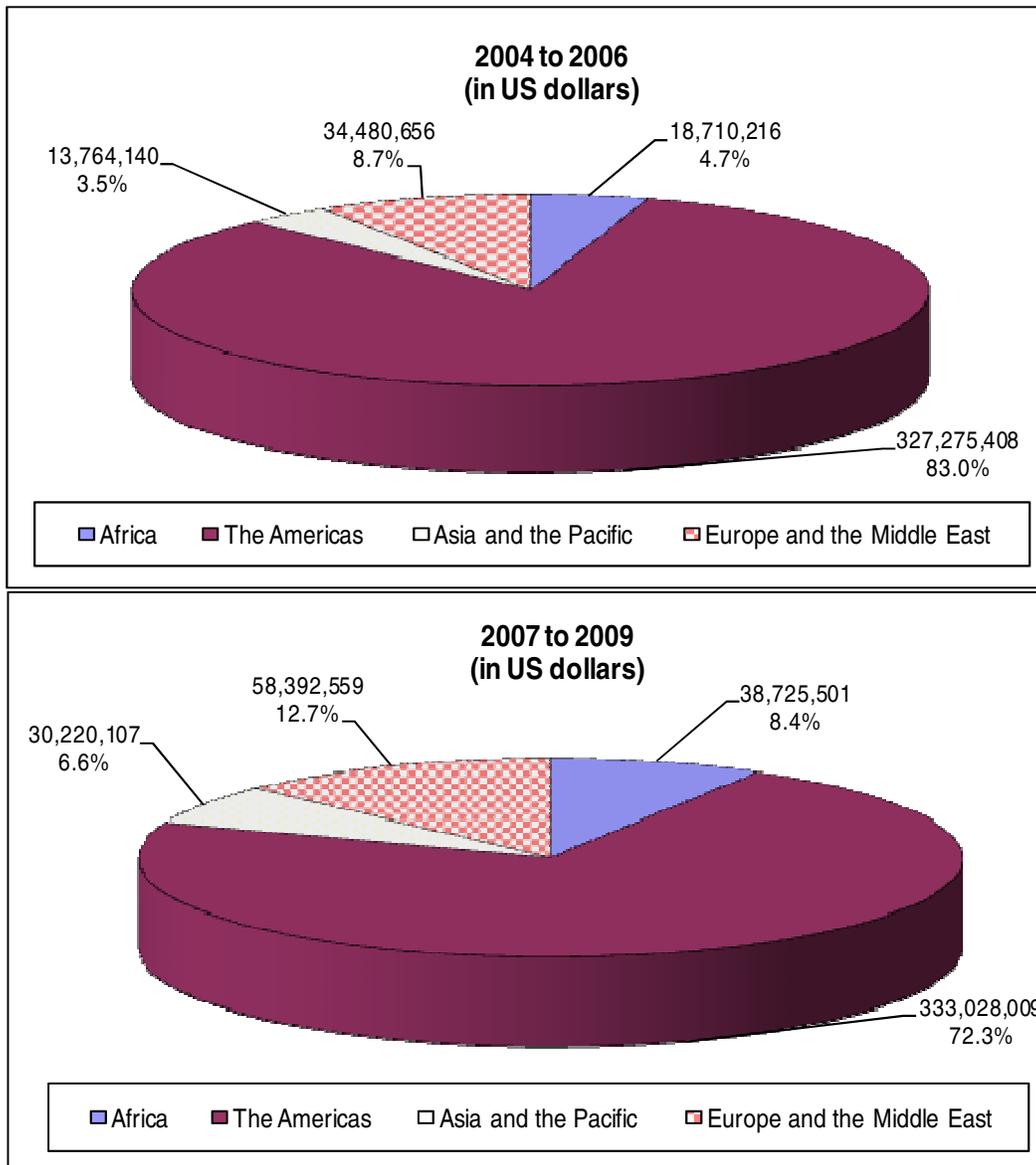
**Chart 3 – Yearly Average Support Cost Rate from 2001 to 2009**



**Programme Delivery by Region**

4.5 Total Technical Co-operation Programme delivery by geographical region is illustrated in Chart 4. The Africa Region accounted for 8.4% of the total Programme implemented in the 2007-2009 period, as compared with 4.7% in the previous triennium, with a programme growth in the order of 106.9%. The Asia and Pacific Region represented 6.6% of total Programme delivery over an average ratio of 3.5 % for the 2004-2006 period, registering a substantial programme increase of 119.5%. Having grown slightly by 1.8% over the last triennium, the Americas Region continued to account for the majority of the Programme delivery at 72.3%, as compared to 83.0% in the preceding triennium. Finally, the Europe and the Middle East region accounted for 12.7% of total implementation, compared to a ratio of 8.7% in the previous period, demonstrating a small programme increase of 6.9%. The variations in the ratio of geographical distribution were influenced mainly by the number and type of requests, as well as funding made available by States.

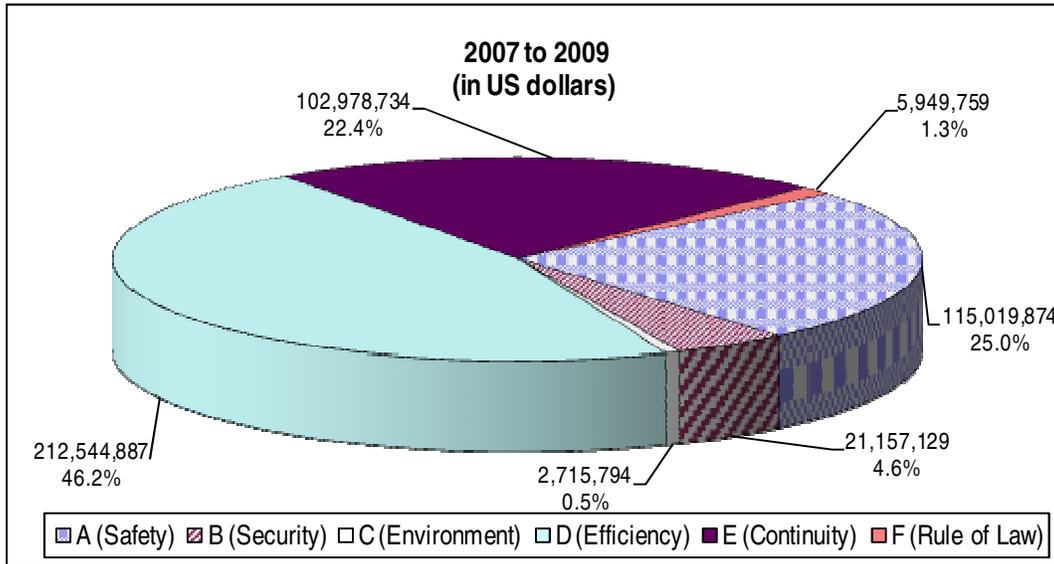
**Chart 4 – Programme Delivery by Region**



**Programme Delivery by Strategic Objective**

4.6 The distribution of the Technical Co-operation Programme by Strategic Objective, reflecting the projects' overall contribution to the achievement of ICAO's objectives for the triennium, is reflected in Chart 5.

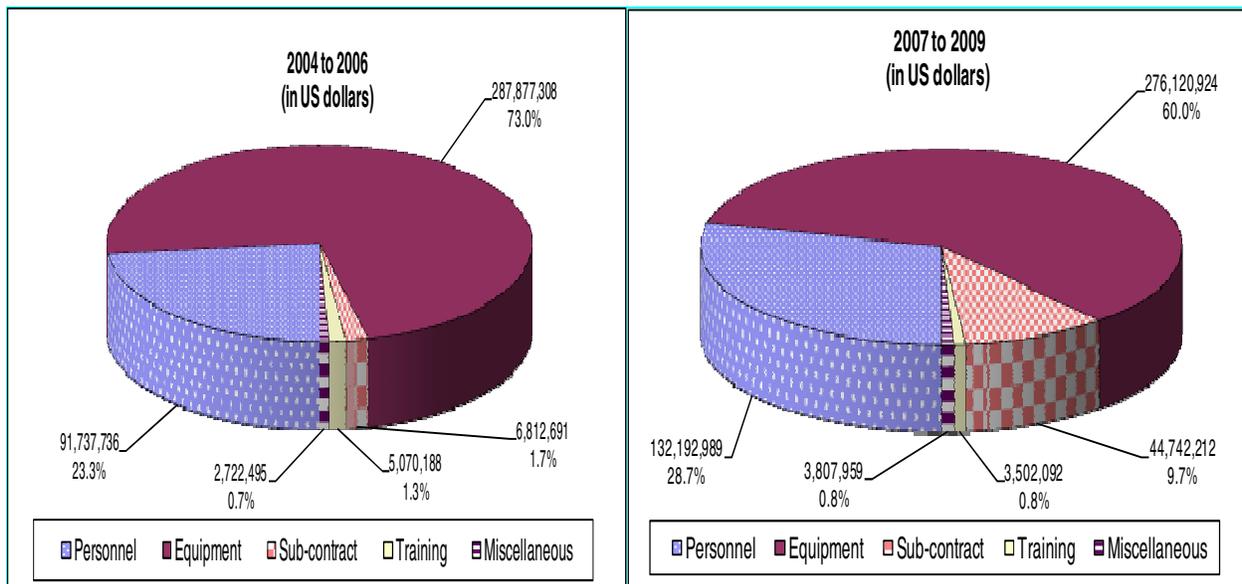
**Chart 5 – Programme Delivery by Strategic Objective**



**Programme Delivery by Component**

4.7 Distribution by Programme component is illustrated in Chart 6. It is noted that the procurement component, comprising equipment and subcontracts, continues to represent the greatest volume of activity at 61.3%, confirming the trend observed in the last triennium.

**Chart 6 – Programme Delivery by Component**



***Programme Deliverables by Component***

4.8 Major deliverables during the 2007 to 2009 period included:

- a) the deployment of 1125 international field experts, who carried out advisory missions or served as instructors or as executive personnel; as compared to 1074 in the previous triennium;
- b) the recruitment of 4263 national experts for civil aviation administrations, compared to 3288 from 2004 to 2006;
- c) 6385 nationals received in-country training, in addition to the training provided to 1118 under procurement contracts;
- d) the award of 1293 fellowships under the ICAO Fellowship Programme and the Developing Countries Training Programme, as compared to 1608 in the preceding triennium; and
- e) civil aviation equipment and services procured for a total of US\$320.9 million, compared to US\$294.7 million in 2004-2006 period.

**Table 3 – Programme Deliverables by Component**

	2004 - 2006		2007 - 2009	
International field experts	1074	1833 work/months	1125	1851 work/months
National experts	3288		4263	
Nationals trained in-country	N/A		6385	
Nationals trained by supplier	N/A		1118	
Fellowship awards	1608		1293	
Equipment and services	US\$294.7 million		US\$320.9 million	

4.9 Details of annual operational performance results by component are provided in the Annual Reports of the Council, including a summary of the objectives and deliverables of major technical cooperation projects implemented during this period on an individual, sub-regional or regional basis.

***Programme Achievements by Areas of Assistance***

4.10 Major achievements for the Technical Co-operation Programme by areas of assistance to States over the 2007-2009 period include:

- a) Safety

Rectification of Significant Safety Concerns and deficiencies identified by USOAP audits through regional COSCAP programmes and national projects, mainly in the fields of personnel licensing, flight operations and airworthiness and by improving the organizational structure and manning of safety oversight divisions of Civil Aviation Authorities; participation in safety oversight surveillance and inspection missions conducted by States, to compensate for a lack of local capability and provide in-country and on-the-job training; development of civil aviation master plans and master plans associated with the air transport and tourism sector; strengthening and modernization of civil aviation authorities, and establishment of autonomous authorities; enhancement of dangerous goods oversight systems: administration of Developing Countries Fellowship Training Programmes and of national experts.

b) Security

Rectification of deficiencies identified by USAP audits and other aviation security related findings through the regional CASP programmes and national projects; development of national aviation security training programmes; provision of AVSEC instructor and inspector courses and quality control training; evaluation of air carrier security programmes and national quality control programmes; review of aviation security legislation and regulation and development of AVSEC model regulations; establishment of regional aviation security teams.

c) Environment

Conduct of environmental impact studies in regard to airport development projects, including environmental assessments as part of feasibility studies for greenfield airports and airport expansions, and impact of airport construction on the surrounding areas; implementation of measures to comply with requirements of environmental protection in other areas related to civil aviation, such as airport water treatment plants and sewerage; introduction of optimized noise abatement operational procedures and operating restrictions; review of wildlife management programmes.

d) Efficiency

Procurement of equipment and services for the modernization of airports, air navigation and meteorological systems on a national and regional basis; provision of air navigation and search and rescue services and management of digital communications networks; transfer of functions from military to civilian control for international airports and civil aviation authorities; aeronautical engineering, feasibility and aeronautical studies related to airport design and safety of operations in their vicinity with a view to ensuring compliance with ICAO SARPs; re-establishment of national air carriers; development of airport master plans, including the expansion or modernization of international airports facilities and services; updating and upgrading meteorological services and facilities through a sub-regional programme.

e) Continuity

Assistance to States going through a transition, either post conflict or any other event which could cause a major shift in providing civil aviation services, including rehabilitation of airports in post-conflict areas; development of technical guidance material, seminars and on-the-job training in pandemic preparedness planning, in airport evaluations and in the field of aviation medicine through the Co-operative Arrangement for the Prevention of Spread of Communicable Disease by Air Transport Project (CAPSCA); modernization of civil aviation training systems and introduction of the TRAINAIR methodology.

f) Law

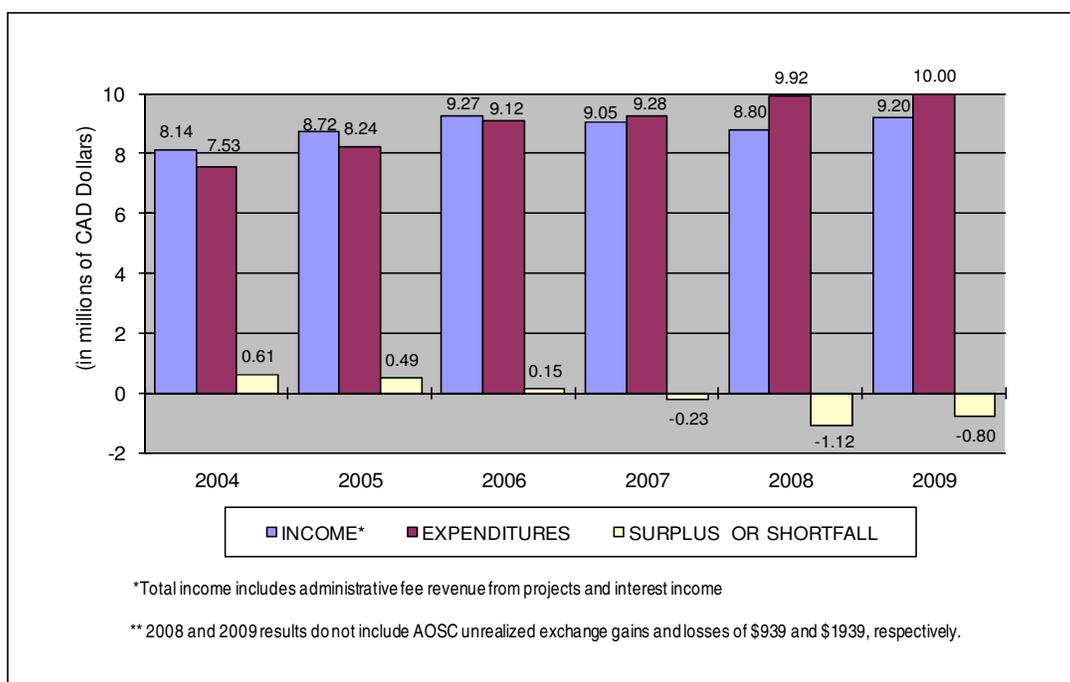
Provision of legal advice on the adherence to Conventions and other international instruments related to civil aviation and development and upgrading of the civil aviation regulatory framework, including the preparation of civil aviation laws, policies, regulations, procedures and guidance material to comply with ICAO standards and recommended practices; establishment of civil aviation authorities, including revision of related legal provisions; enforcement of safety oversight rules and regulations by civil aviation administrations.

## 5. AOSC FUND INCOME AND EXPENDITURE <sup>1</sup>

5.1 Administrative charges levied for the execution of projects on the basis of the cost recovery principle are administered through the Administrative and Operational Services Cost (AOSC) Fund, which is utilized to meet the full cost of administration, operation and support of the Technical Co-operation Programme. It covers expenditures within TCB, including staff costs, as well as Regular Programme expenditures for services provided to TCB.

5.2 Results of operations show that the AOSC Fund did not fully recover its costs for the triennium, and expenditure exceeded income by CAD\$0.2 million in 2007, CAD\$1.1million in 2008 and CAD\$0.8 million in 2009. The Accumulated AOSC Fund as at 31 December 2009 amounted to CAD\$2.7 million.<sup>2</sup>

**Chart 7 – AOSC Fund Income and Expenditure**



5.3 Total expenditure includes the cost for 23, 25 and 25 posts in the Regular Programme funded by the AOSC Fund in 2007, 2008 and 2009, respectively, amounting to CAD\$5,658,800, as compared to 17.3, 20.3 and 21.3 posts funded by TCB in 2004, 2005 and 2006, totalling CAD\$4,381,500, respectively, for an increase of CAD\$1,277,300 (29.1%) in the triennium. In addition, costs amounting to CAD\$1,488,700 were charged to the AOSC Fund from 2007 to 2009 for other shared items, *inter alia* external audit fees, UN common costs, building insurance, after-service medical benefits, as compared to CAD\$1,024,400 in the preceding triennium. Therefore, total costs borne by TCB for services provided by the Regular Programme in the triennium amounted to CAD\$7,147,500 and increased by 32.2%, as compared to the total of CAD\$5,405,900 charged to TCB in the 2004-2006 period.

<sup>1</sup> The ICAO Financial Statements are presented in Canadian Dollars from 2008 onwards. In order to ensure comparability between the 2007-2009 and 2004-2006 triennia, 2004 to 2007 AOSC Fund financial results have been restated in Canadian Dollars for purposes of this report at the UN average rate of exchange for those years.

<sup>2</sup> Unrealized currency gains and losses of \$939 and \$1939 for 2008 and 2009, respectively, resulting from the conversion of AOSC funds from USD to CAD at the UN rate on 31 December 2009, were deducted from the balance of the AOSC Fund, for a net impact of CAD\$1.0 million.

## **6. COST APPORTIONMENT BETWEEN THE REGULAR PROGRAMME BUDGET AND THE AOSC FUND**

6.1 During the period when UNDP provided most of the funding for the Technical Co-operation Programme, and UNDP support costs were relatively high, TCB was able to help support the Regular Programme by funding a significant number of posts located outside the Bureau. In 1984, at its peak, 70 posts were funded by TCB in the Regular Programme out of a total of 258 AOSC-funded posts. As a result of the change of policy that led to a decrease in UNDP funding for civil aviation projects (today representing less than 0.5 per cent of the total Programme), TCB incurred annual deficits from 1982 to 1995, totalling \$13.5 million.

6.2 With the adoption by the Assembly in 1995 of a new policy on technical cooperation, progressive measures were taken by ICAO for the transfer to the Regular Programme of certain functions and costs then charged to TCB. Furthermore, reconfirming the actions taken towards a new policy, subsequent Assemblies endorsed the recommendation of the Council to integrate TCB into the Organization's structure and that the Regular Programme Budget would financially support the Technical Co-operation Programme in case of a shortfall. As a result, some staff costs charged to TCB and certain other costs such as rental and maintenance of premises, registry and communication, previously shared between the two Programmes, were fully absorbed by the Regular Programme Budget. By 1995, only 15 posts located in the Regular Programme were still being funded by the AOSC Fund. These measures, together with the reorganization of TCB, eventually led to the complete elimination of the Programme's deficit.

6.3 In 2004, due to financial constraints in the Regular Programme, the transfer of the remaining 15 AOSC-funded posts, as requested by Assembly Resolutions A31-14, A32-21, A33-21, was suspended by the 35<sup>th</sup> Session of the Assembly, which also recommended that the question of cost sharing between the Regular Programme and the Technical Co-operation Programme be reported to the Council for review.

6.4 During the 2007 to 2009 triennium, the Council worked to develop a new cost recovery policy to recognise the indirect costs incurred by the Regular Programme Budget in providing support services to TCB. Council agreed that costs should be accounted in dollar terms, rather than using proxy posts. Therefore, from 2010, the 22 proxy posts previously paid out of the AOSC Fund were moved to the Regular Budget and a cash transfer of CAD\$1.7 million, equal to the estimated value of these posts, was made from the AOSC Fund and into the Regular Budget. A more accurate calculation of the cost of provision of support services for the year 2011 and beyond would be determined on the basis of surveys to apportion time spent on technical assistance and cooperation activities by all those Regular Programme funded staff who also provided support to TCB. The surveys would also inform a pending decision by Council on whether to transfer five TCB management positions, including the Director and Deputy Director, to the Regular Programme Budget, and to charge back their time accordingly.

— END —