



ASSEMBLY - 35th SESSION

EXECUTIVE COMMITTEE

Agenda Item 13.1: Activities and Policy on Technical Co-operation Provided Under the United Nations Development Programme (UNDP) and Through Trust Fund (TF) Arrangements During the Period 2001-2003

SUMMARY

This paper provides historical background information on the activities of the Technical Co-operation Bureau, in particular for the past 21 years. The information herein provided includes a comparison between the Technical Co-operation Programme's income and expenditure as well as the Programme size by type of funds. The paper also contains a detailed report on technical cooperation activities, including experts, fellowships and procurement, during the period 2001 to 2003.

1. HISTORICAL BACKGROUND ON ICAO TECHNICAL COOPERATION ACTIVITIES

1.1 ICAO began the execution of technical cooperation projects in 1951 with funding from the United Nations Special Account for Technical Assistance for Economic Development¹. As the specialized agency of the United Nations for international civil aviation, ICAO has served as the United Nations Development Programme (UNDP)'s Executing Agency for civil aviation projects since 1975. As a result of UNDP's redirection of funds to development sectors other than civil aviation since the past decade, UNDP core funds contribution which, at an earlier stage, constituted the main source of funding for ICAO technical cooperation projects, has steadily decreased to represent around 2.7 per cent of the ICAO Technical Co-operation Programme. This decline has been balanced by a consistent increase in funds provided by Contracting States themselves to finance their own civil aviation projects, now accounting for around 95 per cent of the total Programme, as will be shown below.

1.2 Accordingly, over the fifty-two year period from 1951 to 2003, the Technical Co-operation Bureau (TCB) implemented approximately US\$1.571 billion worth of civil aviation projects. Up to 1971, ECOSOC funds for technical assistance allocated to the civil aviation sector added up to less than US\$3 million. From 1970 to 1982, there was a sharp increase in the civil aviation technical programme, after which period a substantial decline in UNDP core funding occurred. As a result, TCB incurred deficits from 1983 to 1993 (Table 2 attached refers) which were financed from the surplus accumulated in the Administrative and Operational Services Cost (AOSC) Fund. Since the early 1990s, developing countries, convinced of the benefits of improving their civil aviation facilities through the Technical Co-operation Programme of ICAO, started funding their own technical cooperation projects.

(8 pages)

¹Economic and Social Council (ECOSOC) Resolution 222(A)(IX)

1.3 Further to a request of the Council, in April 1990, a comprehensive report on the structure, operation and functions of TCB was prepared by the UNDP Associate Administrator, Mr. G. Arthur Brown, whereby instrumental measures were recommended and implemented in restructuring the Bureau in order to reduce its deficit. In 1991, the Joint Inspection Unit (JIU) undertook an in-depth review of ICAO technical cooperation activities which identified and proposed recommendations to TCB's immediate financial problems, depicting the directives which should guide ICAO with regard to its future policy on technical cooperation, in particular the further restructuring of TCB and its functional and financial integration into the Organization's structure. It should be noted that the measures taken in this regard, as a follow-up to Assembly Resolution A29-20 (superseded by A33-21) particularly contributed to the elimination of the Programme's deficit, which was US\$2.5 million in 1991. The Bureau has been operating with a surplus since 1996 to the present, with the exception of year 2002, when a shortfall of US\$0.63 million was reported as a result of procurement transactions amounting to over US\$6 million which, although initiated in 2002, could only be reported in 2003, in accordance with applicable ICAO accounting policies.

1.4 In corroboration of the analysis in the preceding paragraphs, the figures presented in Tables 1 and 2 herewith attached demonstrate that there was a 33 per cent reduction in the implementation of the Technical Co-operation Programme between 1982 and 1993, which resulted in a 35 per cent decrease in the Programme's income. As of 1994, however, the implemented programme returned to its average level of approximately US\$50 million a year. On the other hand, as a result of the reduction in the percentage of overhead rates applied on technical cooperation projects from 13 per cent to 10 per cent or less, the income derived from the implemented Programme remained low. However, through the continuous implementation of the core staff concept and the progressive integration of TCB into the structure of the Organization, the Bureau managed to reduce its expenditures to an estimated US\$5.6 million in the year 2003, down from US\$8.9 million in the year 1982. An estimated implementation of US\$93.2 million was recorded in 2003, representing an increase of US\$33.4 million as compared to 1982.

1.5 In view of the drastic and continuous reduction in UNDP funding of civil aviation projects, it was necessary for TCB to devise new types of projects to encourage new sources of funding for ICAO projects. The Civil Aviation Purchasing Service (CAPS) was introduced to facilitate the procurement of equipment through the use of a scale of handling charges, progressively reduced according to the value of the purchase. Under a Management Service Agreement (MSA), instead of a flat rate percentage of the contract value, the overhead is calculated to recover the management and administrative costs incurred by the Organization for the implementation of the project, and may vary within project components. Figures indicate that MSAs progressively increased from US\$0.5 million in 1993 to US\$38.8 million in 2003, and 96 entities are currently registered with CAPS.

1.6 As a follow up to Assembly Resolution A33-21, *Resolving* Clause 8, which encourages the Council and the Secretary General to adopt a structure and implementation mechanism for the Technical Co-operation Bureau that would use commercially oriented practices to allow fruitful partnerships with funding partners and recipient States, the Council concluded that there was a need to accord greater operational flexibility to TCB, albeit with the appropriate controls. This subject is presented to the Assembly for consideration under A35-WP/15, EX/4.

2. REPORT ON TECHNICAL CO-OPERATION ACTIVITIES, 2001-2003

2.1 Technical Co-operation Programme, 2001-2003

2.1.1 The Annual Reports of the Council for the years 2001, 2002 and 2003 provide a detailed description of ICAO technical cooperation activities during that period. A summary of funds which were available during these years to support the Technical Co-operation Programme is provided in Table 3 (attached). For comparison purposes, activities during the previous three years are also provided. A study of the table shows that the total programme implemented in 2001-2003 substantially increased by 62.7 per cent as compared with the previous three years. However, the amounts provided by UNDP funds, excluding

Government Counterpart Contributions in Cash (GCCC) and Cost Sharing (CS), further decreased to represent around 2.7 per cent in UNDP core funding.

2.1.2 The average percentage of implementation for 2001- 2003 was 82 per cent which is only 1 per cent lower than the previous 3 years at 83 per cent, and it shows that the programme has assumed a continued rate of implementation of around 80 per cent in the current decade.

2.1.3 The three main components of projects implemented by ICAO are **experts** who are recruited to implement projects at the field level, **fellowships** which are awarded to personnel of civil aviation departments selected by the government, and **equipment** procured for projects. Information on these three activities for the period 2001 through 2003 is shown in Table 4 (attached). Total activities for the three years preceding year 2000 are also shown. It can be noted from the table that there was an 11.4 per cent reduction in the number of fellowships awarded in the years 2001 to 2003 as compared with the number awarded in the years 1998 to 2000. This resulted from the lack of UNDP funding which traditionally supported fellowship training. To compensate for the reduction in the number of fellowship awards, there has been a tendency in the last two years for recipient States to include substantial training for their nationals within the procurement component of their ICAO technical cooperation projects. There has also been a tendency to contract instructors through ICAO/TCB to conduct training courses within the countries rather than issuing individual fellowship awards. The total number of students trained by the private sector under major contracts in 2003 was 356 for a total cost of US\$833 696. It can also be noted from the table that an increase of 23.6 per cent is reported in the number of field experts and consultants recruited in the period 2001 - 2003 as compared with the previous three years.

2.1.4 The nature of the assistance provided under ICAO projects is broad and has included, *inter alia*: a) civil aviation master planning; b) human resource development; c) administration and legislation; d) communication and navigation aids, e) flight safety; f) airworthiness and flight operations; g) airport planning, construction and management; h) air traffic services; i) air transport and j) aviation security. Detailed information on the assistance provided and the countries involved is provided in Chapter V of the Annual Report of the Council for the years 2001, 2002 and 2003.

2.1.5 In particular, the establishment of the ICAO USOAP and USAP audit programmes in the areas of flight safety and aviation security, as effective tools in focusing support and assistance on the specific needs of Contracting States, have contributed to the expansion of ICAO's technical cooperation activities beyond the traditional development objectives of UNDP and Contracting States to concentrate on the implementation of the objectives of ICAO Priority Programmes, through the execution and implementation of effective remedial action for the rectification of deficiencies identified in the audit reports.

2.2 Technical Co-operation Programme, 2004

2.2.1 When this paper was prepared, the Technical Co-operation Programme for 2004 was still under development, and was estimated at US\$110 million, as of 31 December 2003 with an estimated implementation rate of approximately 82 per cent. Efforts continue to achieve a larger programme and a higher implementation rate. It should be noted that out of a programme of US\$110 million, UNDP core funds account for only US\$3 million.

2.3 Income and Expenditure

2.3.1 Table 5 provides information on technical cooperation income and expenditure for the years 2001, 2002 and 2003. During this triennium, income exceeded expenditure in year 2001, reporting a surplus of US\$1.4 million, a shortfall of US\$633 000 was reported for 2002 and an estimated surplus of US\$144 000 is forecast for 2003.

2.3.2

A review of the Technical Co-operation Programme has identified the following:

- a) Although the implemented programme in this triennium was substantially higher than the average level of the early 1980s, the income achieved was almost one half of the income derived from 1982 implementation. This was caused by a reduction on overhead rates from 13 per cent to 10 per cent or less, as well as the lower overhead percentage from MSA and CAPS projects for an average of around 5.5 per cent.
- b) Despite this reduction in the overhead, TCB continued to report a surplus, except for 2002 in view of significant procurement transactions initiated in the end of the year which were reported in the subsequent financial year in accordance with applicable ICAO accounting policies. Therefore, in addition to the increase in the Programme size, the main factor in realizing the surpluses was the continued reduction in expenditures which was effected by the decrease in the number of staff and other expenditures and the continued implementation of measures to increase the efficiency and effectiveness of the Bureau. A comparison between the expenditures of 1982 and 2003 shows a reduction of over 37 per cent. This was only possible by the implementation of the New Policy on Technical Co-operation and strict budgetary control exercised by the Council and the Secretariat.
- c) The continuous decrease in UNDP core funding to civil aviation projects has prompted the need for TCB to concentrate on funding from Contracting States participating in the Technical Co-operation Programme and on the mobilization of resources from non-traditional sources of funds, such as regional organizations and funding/financing institutions, the industry and the private sector.
- d) New trends in technical cooperation have led to the expansion of the Technical Co-operation Programme activities beyond the traditional development objectives of UNDP and Contracting States to concentrate on the implementation of ICAO SARPS and Priority Programmes, particularly in the area of flight safety and aviation security, as follow-up action and assistance in the remedying of deficiencies identified through ICAO audit activities, such projects being implemented on a regional or sub-regional basis.

3. ACTION BY THE ASSEMBLY

3.1 The Assembly is invited to note the information provided on the continuous improvement in the operation of the Technical Co-operation Programme in the period 2001-2003, and refer to it when considering A35-WP/5, EX/1 (Transition to a New Policy on Technical Co-operation).

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TABLE 1

**IMPLEMENTATION OF ICAO'S TECHNICAL CO-OPERATION PROGRAMME
BY FUNDING, 1982 - 2003
(in millions of US dollars)**

IMPLEMENTATION									
YEAR	UNDP				FUNDS-IN-TRUST				GRAND TOTAL
	CORE ¹	C.S. ²	GCCC ³	Total	T.F. ⁴	CAPS ⁵	MSA ⁶	Total	
1982	29.5	5.8	-	35.3	23.2	1.3	-	24.5	59.8
1983	21.4	6.2	-	27.6	22.1	1.8	-	23.9	51.5
1984	20.8	6.0	-	26.8	19.0	1.6	-	20.6	47.4
1985	26.7	4.8	-	31.5	15.6	4.6	-	20.2	51.7
1986	27.9	7.6	0.2	35.7	12.6	1.2	-	13.8	49.5
1987	21.1	7.0	1.8	29.9	10.5	0.9	-	11.4	41.3
1988	30.3	7.9	0.3	38.5	7.6	1.3	-	8.9	47.4
1989	27.4	6.4	2.4	36.2	9.5	0.6	-	10.1	46.3
1990	23.6	9.0	1.1	33.7	11.9	7.1	-	19.0	52.7
1991	23.5	8.0	1.0	32.5	10.6	1.1	-	11.7	44.2
1992	17.5	8.8	5.0	31.3	7.4	4.5	-	11.9	43.2
1993	18.7	7.9	5.0	31.6	6.4	1.4	0.5	8.3	39.9
1994	10.3	29.1	2.0	41.4	6.3	0.3	1.5	8.1	49.5
1995	4.0	33.1	1.5	38.6	5.5	3.4	6.3	15.2	53.8
1996	3.1	32.0	1.3	36.4	4.8	3.8	9.2	17.8	54.2
1997	1.0	40.3	-	41.3	4.7	1.4	15.5	21.6	62.9
1998	0.8	21.0	-	21.8	4.8	0.5	22.3	27.6	49.4
1999	1.2	17.9	-	19.1	5.6	1.9	21.3	28.8	47.9
2000	1.0	17.7	-	18.7	6.1	1.0	28.1	35.2	53.9
2001	1.1	45.0	-	46.1	4.2	16.6	27.5	48.3	94.4
2002	0.8	24.8	-	25.6	4.7	10.0	23.2	37.9	63.5
2003*	2.6	13.7	-	16.3	7.0	31.1	38.8	76.9	93.2

¹ CORE: Amounts provided by UNDP's own funds

² C.S.: Amounts provided by Governments as their part of Cost Sharing with UNDP

³ GCCC: Government Counterpart Contribution in Cash provided in local currency and other entities through UNDP for local project implementation

⁴ T.F.: Trust Funds (funds provided by Governments and other entities)

⁵ CAPS: Civil Aviation Purchasing Service (funds provided by Governments and other entities)

⁶ MSA: Management Service Agreement (funds provided by Governments and other entities)

* Estimated

TABLE 2

AOSC INCOME (BY FUNDING SOURCE) AND EXPENDITURE, 1982 - 2003
(in millions of US dollars)

YEAR	UNDP		T.F.	CAPS	MSA	EARNED INTEREST	OTHER INCOME	TOTAL INCOME	AOSC EXP.	Surplus/ (Shortfall)
	CORE + CS	GCCC								
1982	5.2	-	3.0	-	-	1.8	-	10.0	8.9	1.1
1983	4.0	-	2.9	0.2	-	1.2	-	8.3	8.9	(0.6)
1984	3.8	-	2.5	0.2	-	1.1	-	7.6	8.2	(0.6)
1985	4.4	-	2.0	0.2	-	0.9	0.1	7.6	7.7	(0.1)
1986	4.6	-	1.7	0.1	-	0.7	0.1	7.2	7.8	(0.6)
1987	3.7	-	1.3	0.1	-	0.7	0.2	6.0	7.3	(1.3)
1988	4.7	-	1.0	0.1	-	1.0	0.1	6.9	7.7	(0.8)
1989	4.6	-	1.2	0.3	-	1.0	0.2	7.3	8.8	(1.5)
1990	4.2	-	1.5	0.2	-	0.8	0.2	6.9	9.1	(2.2)
1991	4.1	-	1.4	0.1	-	0.4	0.2	6.2	8.7	(2.5)
1992	3.1	0.2	1.0	0.1	-	0.1	0.4	4.9	7.2	(2.3)
1993	3.3	0.1	0.8	0.1	0.1	0.1	0.2	5.0	5.8	(0.8)
1994	4.1	0.2	0.8	0.1	0.1	0.1	0.1	5.5	5.4	0.1
1995	3.3	-	0.8	0.2	0.5	0.1	0.2	5.1	5.4	(0.3)
1996	3.2	-	0.6	0.2	0.9	0.2	0.2	5.3	5.0	(0.3)
1997	3.6	-	0.7	0.1	1.4	0.1	0.2	6.1	4.9	1.2
1998	2.0	-	0.6	-	2.2	0.2	0.4	5.4	4.2	1.2
1999	1.7	-	0.7	0.1	1.8	0.2	0.2	4.7	4.0	0.7
2000	1.5	-	0.4	-	2.3	0.3	0.4	4.9	4.0	0.9
2001	3.1	-	0.3	0.4	1.9	0.3	0.2	6.2	4.8	1.4
2002	1.2	-	0.5	0.2	1.5	0.1	0.8	4.3	4.9	(0.6)
2003*	1.2	-	0.7	1.0	2.6	0.1	0.1	5.7	5.6	0.1

* Estimated

TABLE 3

TECHNICAL CO-OPERATION PROGRAMME, 2001-2003

Maximum Approved Programme During the Year
(in millions of US dollars)

	APPROVED PROGRAMME									IMPLEMENTATION	
	UNDP				FUNDS-IN-TRUST						
YEAR	CORE	C.S.	GCCC	Total	T.F.	CAPS	MSA	Total	GRAND TOTAL	Amount	Per Cent
2001	1.6	51.9	-	53.5	5.3	17.9	40.0	63.2	116.7	94.4	81%
2002	0.9	27.5	-	28.4	5.7	9.1	25.8	40.6	69.0	63.5	92%
2003*	3.0	17.2	-	20.2	9.5	32.0	56.5	98.0	118.2	93.2	79%
Total	5.5	96.6	-	102.1	20.5	59.0	122.3	201.8	303.9	251.1	83%
PREV. 3 YRS	5.8	81.4	2.0	89.2	20.2	4.4	76.2	100.8	190.0	154.3	81%

TABLE 4

TECHNICAL CO-OPERATION PROGRAMME, 2001-2003

Experts - Fellowships - Equipment Purchases

	EXPERTS	FELLOWSHIPS	EQUIPMENT
YEAR	Number Recruited	Number Awarded	In millions of US dollars
2001	414	583	89.3
2002	422	428	36.1
2003*	335	507	75.0
Total	1171	1518	200.4
PREVIOUS 3 YEARS	947	1 714	63.4

* Estimated

TABLE 5
TECHNICAL CO-OPERATION PROGRAMME, 2001-2003
AOSC Income and Expenditure

	2001	2002	2003*
INCOME			
UNDP (including Cost Sharing and GCCC)	3 076 000	1 215 000	1 190 000
Trust Funds	312 000	467 000	698 000
MSA	1 888 000	1 503 000	2 565 000
CAPS	360 000	257 000	1 070 000
Others ¹	530 000	886 000	200 000
Total	6 166 000	4 328 000	5 723 000
EXPENDITURE			
Staff Costs - TC Programme	3 395 000	3 750 000	4 157 000
Staff Costs - Regular Programme**	451 000	508 000	598 000
Consultants	248 000	299 000	439 000
General Services	199 000	226 000	205 000
Equipment	38 000	6 000	30 000
Special Technical Support	227 000	146 000	150 000
Forward Purchasing Loss	70 000	26 000	-
Improvements in the Efficiency	145 000	-	-
Total	4 773 000	4 961 000	5 579 000
Surplus/(shortfall)	1 393 000	(633 000)	144 000

¹ The main components are as follows:

- a) Travel Agent fee
- b) Interest earned
- c) Technical Support Service fee

* Estimated

** Staff working in Finance Branch and Personnel Branch of the Regular Programme but paid with funds from the AOSC budget.

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