



International Civil Aviation Organization

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WORKING PAPER

ASSEMBLY — 36TH SESSION

EXECUTIVE COMMITTEE

Agenda Item 19: Activities and policy on technical cooperation provided under the United Nations Development Programme (UNDP) and through Trust Fund (TF) arrangements during the period 2004 - 2006

ACTIVITIES AND POLICY ON TECHNICAL CO-OPERATION PROVIDED UNDER THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) AND THROUGH TRUST FUND (TF) ARRANGEMENTS DURING THE PERIOD 2004 – 2006

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY

This paper contains a report on technical cooperation activities implemented during the period 2004-2006, including experts, fellowships and procurement, and describes the relevance of these activities to the achievement of ICAO's Strategic Objectives.

For a better understanding of the recent developments, this paper also provides historical background information on the ICAO Technical Co-operation Programme and an overview of Technical Co-operation Programme activities for the past 10 years, including the AOSC Fund's income and expenditure and the Programme size by type of funds.

Action: The Assembly is invited to refer to this report when considering A36-WP/48, EX/13 (Update of the New Policy on Technical Co-operation).

Strategic Objectives:

This working paper relates to all Strategic Objectives.

Financial implications:

Not applicable.

References:

A36-WP/48, EX/13
Doc 9848, *Assembly Resolutions in Force* (as of 8 October 2004)

1. INTRODUCTION

1.1 ICAO began the execution of technical cooperation projects in 1951 (Assembly Resolution A4-20) with funding from the United Nations Special Account for Technical Assistance for Economic Development (Economic and Social Council (ECOSOC) Resolution 222(A)IX). 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.

1.2 Over the fifty-five-year period from 1951 to 2006, the Technical Co-operation Bureau (TCB) implemented approximately US\$2 billion worth of civil aviation projects. Up to 1971, ECOSOC funds for technical cooperation (then still called 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 ICAO Technical Co-operation Programme with funding from UNDP, after which period a steady decline in UNDP core funding occurred as a result of UNDP's redirection of its funds to development sectors other than civil aviation. This contributed to recurrent annual deficits in the Technical Co-operation Programme for over a decade since 1983.

1.3 On request of the Council, a comprehensive report on the structure, operation and functions of TCB was prepared by a former Associate Administrator of UNDP in April 1990, followed in 1991 by an in-depth review of ICAO technical cooperation activities by the United Nations Joint Inspection Unit (JIU). Both reports made recommendations to remedy TCB's adverse financial situation, in particular through the restructuring of TCB.

1.4 According to the JIU report, the most important reasons for the recurrent annual deficits in the Administrative and Operational Services Cost (AOSC) Fund since 1983 were identified as the reduction of support cost payments made to ICAO by UNDP and the financing of numerous posts and other costs in the Regular Programme by the AOSC Fund. The Report also emphasized that at the time ICAO was the only organization in the United Nations system that did not use its regular budget to support its Technical Co-operation Programme.¹

1.5 Measures taken by ICAO through a major restructuring of TCB on the basis of the findings of the above reports as well as a follow-up to Assembly Resolution A29-20 (superseded by A35-20) eventually led to the complete elimination of the Programme's deficit, which had totalled US\$13.5 million in the period 1983 to 1995 and had to be financed by the surplus accumulated in the AOSC Fund amounting to US\$11.4 million at the end of 1983, as well as by a transfer, with Council's approval, of US\$2.7 million from the Termination Payment Fund to the AOSC Fund in 1988.

1.6 While UNDP cost sharing projects are almost exclusively funded by the governments themselves, at present, the UNDP core contribution is around 0.1 per cent of the total ICAO Technical Co-operation Programme. This decline has been compensated, however, by a consistent increase in funds provided by developing countries who, since the early 1990s, convinced of the benefits of improving their

¹ The JIU 2002 report on support costs related to extra-budgetary activities indicates that ICAO is one of a small number of United Nations organizations which do not apply the partnership principle (sharing of support costs) and are required by their legislative bodies to recover the full costs incurred supporting all (technical cooperation) activities. The question of the sharing of costs between the ICAO Regular Programme and Technical Co-operation Programme and Council's request for the elimination of the existing cross-funding between the ICAO Regular Programme Budget and the AOSC Fund is reported in A36-WP/48, EX/13.

civil aviation facilities with the involvement of the ICAO Technical Co-operation Programme, started financing their own technical cooperation projects. These funds now account for around 98 per cent of the total Programme. Extra-budgetary contributions from other donors, including development banks, regional organizations, funding institutions and the aviation industry have amounted to an average of 2 per cent of the total Programme.

1.7 The fact that the ICAO Technical Co-operation Programme is funded almost in its entirety by developing countries with no direct support from the Regular Programme places the Organization in a unique situation in the United Nations system, and is testimony to the confidence of ICAO's Contracting States participating in the Technical Co-operation Programme in the efficiency and effectiveness of the services provided by TCB.

1.8 As a result, TCB has been operating with a surplus since 1996 to the present, with the exception of year 2002. More specifically, from 1994 to 2000, the implemented programme returned to an average level of approximately US\$55 million a year, having increased significantly over the past 5 years as a result of a substantial increase in equipment implementation.

1.9 Finally, it is recalled that, in accordance with ICAO Financial Regulations (Article IX), the ICAO Technical Co-operation Bureau has to be self-financing. The assessments paid to ICAO by Contracting States only fund Regular Programme activities, while the costs of administration and operation of TCB are met by overheads charged to projects implemented by the Bureau and administered by the Secretary General through the AOSC Fund. It is to be noted that, to the extent possible, technical cooperation activities carried out by the Organization continue to be based on the principle of cost recovery.

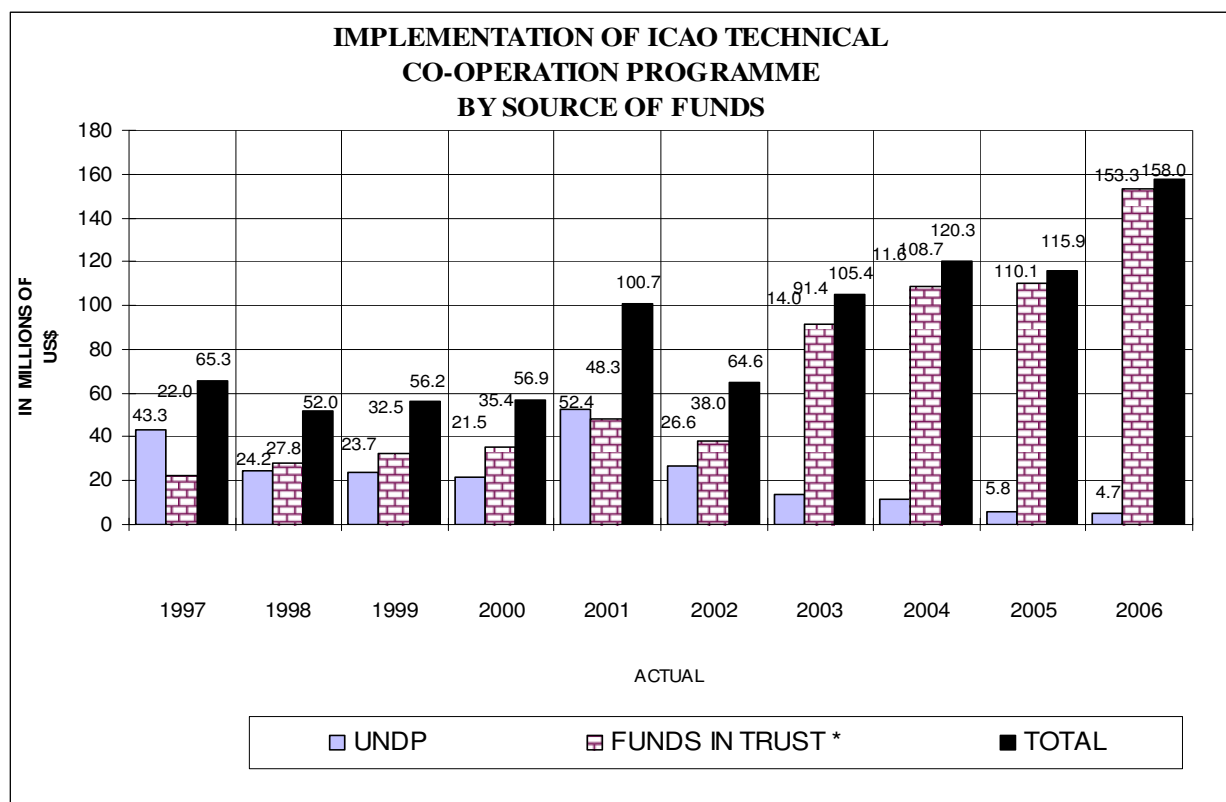
1.10 Variable rates not exceeding 10 per cent are applied to various components under Management Service Agreements (MSA) depending on the complexity of the activity or service to be provided. Civil Aviation Purchasing Service (CAPS) rates applied are variable and regressive, commencing at 6 per cent for purchase orders of US\$10 000 to US\$100 000, and are reduced with increases in the size of purchase orders. These rates are negotiated with and agreed to by States and are reflected in the project document and agreement to be signed with ICAO. Administrative charges for Trust Fund projects are linked to UNDP rates and therefore set at around 10 per cent. Since the introduction of MSA projects in 1993, MSA implementation has progressively increased, reaching US\$133.8 million in 2006 or 84.7 per cent of the total programme implementation of US\$158 million.

2. REPORT ON TECHNICAL CO-OPERATION ACTIVITIES

2.1 Total Programme Implementation in the Past Ten Years

2.1.1 Table 1 presents a 10-year summary of the Technical Co-operation Programme implementation by type of funds, which demonstrates that the implemented programme has increased significantly in the past two triennia, from US\$57 million in year 2000 to US\$158 million in 2006, representing an increase of approximately 177 per cent.

TABLE 1



UNDP includes core and cost sharing projects.
For 2006, UNDP core = US\$0.2 million and UNDP cost sharing = US\$4.5 million.

* Funds in Trust includes Trust Fund Agreements, Management Service Agreements and Civil Aviation Purchasing Services. All funds are provided by Governments and other entities.

2.1.2 Equipment implementation has steadily increased from an average of 39.6 per cent of the total Programme implementation for the years 1997 to 2000 to an average of over 73 per cent for the period 2001 to 2006. The increase in procurement implementation refers to large equipment contracts entered into by the Organization, attracting lower overhead rates, while the average number of purchase orders slightly decreased.

2.2 Technical Co-operation Programme, 2004-2006

2.2.1 Table 2 presents the total programme implemented in 2004-2006. It demonstrates that the implemented programme, in particular Funds in Trust projects, including MSA and CAPS, increased by approximately 109 per cent as compared to the 2001-2003 triennium. The amounts provided by UNDP's core funds further decreased to represent less than 1 per cent of the total Technical Co-operation Programme for the current triennium, whereas UNDP cost-sharing projects for 2004-2006, which are primarily funded by governments, amounted to US\$19.1 million or 4.8 per cent, as compared with US\$89 million or 33 per cent of the total programme for 2001-2003.

TABLE 2
TECHNICAL CO-OPERATION PROGRAMME IMPLEMENTATION, 2004-2006
(in millions of US dollars)

YEAR	UNDP			FUNDS IN TRUST				GRAND TOTAL
	CORE	COST SHARING	TOTAL UNDP	T.F.	CAPS	MSA	TOTAL	
2004	2.0	9.6	11.6	18.0	15.5	75.2	108.7	120.3
2005	0.8	5.0	5.8	29.3	7.1	73.7	110.1	115.9
2006	0.2	4.5	4.7	14.9	4.6	133.8	153.3	158
Total	3.0	19.1	22.1	62.2	27.2	282.7	372.1	394.2
Previous 3 years	4.0	89.0	93.0	15.5	77.6	84.6	177.7	270.7

Core: UNDP projects (funds provided by UNDP)
 Cost Sharing: UNDP projects (99 per cent of funds provided by Governments)
 T.F.: Trust Funds (funds provided by Governments and other entities)
 CAPS: Civil Aviation Purchasing Service (funds provided by Governments and other entities)
 MSA: Management Service Agreement (funds provided by Governments and other entities)

2.3 Activities related to Experts, Fellowships, Equipment and Services, 2004 - 2006

2.3.1 The three main components of projects implemented by ICAO are experts recruited to provide technical cooperation at the field level, fellowships awarded to personnel of civil aviation departments selected by the government, and equipment and services procured for projects. The Annual Report of the Council for the years 2004, 2005 and 2006 provides a detailed description of ICAO technical cooperation activities implemented during that period.

2.3.2 The increase in in-country training programmes conducted by instructors hired through ICAO/TCB, in addition to a 9 per cent increase in the number of fellowships awarded in the years 2004 to 2006 (1654) as compared with 1518 awarded in the years 2001 to 2003 demonstrate a growing awareness of States of the importance of civil aviation training. Furthermore, compensating the lack of UNDP funding which traditionally supported fellowship training, recipient States also include substantial training for their nationals as part of the procurement component of their ICAO technical cooperation projects.

2.3.3 The total number of field experts and consultants recruited in the period 2004-2006 was 1443, representing an increase of 13.5 per cent as compared with 1271 recruited in the previous three years.

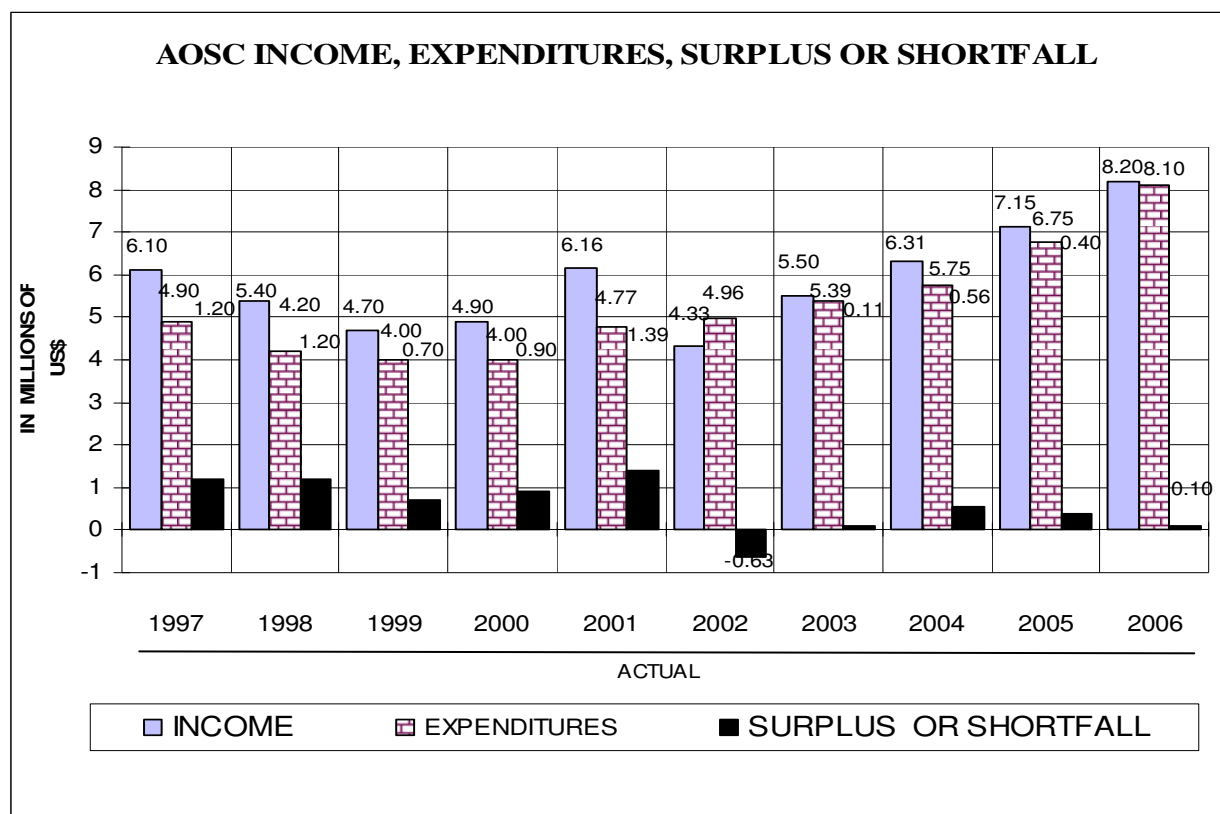
2.3.4 Equipment implementation increased by 41 per cent in the current triennium, totalling US\$289.9 million as compared with US\$205.2 million for the years 2001 to 2003.

2.4 AOSC Fund Income and Expenditure

2.4.1 It is to be noted from Table 3 that, for 9 of the last 10 years, TCB has been able to maintain a balance between income and expenditures without overburdening developing countries, which are contributing around 98 per cent of the funding provided for ICAO's Technical Co-operation Programme.

2.4.2 For the years 2004, 2005 and 2006, income exceeded expenditures by US\$0.5 million, US\$0.4 million and US\$0.1 million respectively.

TABLE 3



2.5 Relevance of the 2004-2006 Technical Cooperation Programme for ICAO's Strategic Objectives

2.5.1 In line with ICAO Strategic Objectives for 2005-2010, the nature of the support provided through ICAO technical cooperation projects during the 2004-2006 triennium is broad and included, *inter alia*: a) civil aviation master planning; b) human resource development; c) administration and legislation; d) communication and navigation; e) aviation security; f) airworthiness and flight operations; g) safety management systems; h) airport planning, construction and management; i) air traffic services; j) search and rescue; and k) introduction of the TRAINAIR methodology.

2.5.2 International experts were recruited to support national civil aviation administrations in different areas in line with ICAO priorities, including flight operations, airworthiness, aerodrome certification, safety management systems, aviation security, air traffic management, CNS/ATM, global navigation satellite systems, radars and navigation aids, communications, aeronautical meteorology, aircraft accident investigation/prevention, airport planning, development and operations, and aviation legislation, among others.

2.5.3 Fellowship training of national personnel concentrated in the fields of civil aviation administration and legislation, air traffic control and search and rescue services, aircraft maintenance and airworthiness, flight operations, aircraft accident investigation and prevention, aviation security, aeronautical communications and nav aids maintenance, aeronautical meteorological services, airport engineering and maintenance, safety management systems, aviation medicine and training technology. During the course of 2004-2006, nationals also received in-country training in one or more of the above-mentioned fields. Technical training was also conducted within the procurement component of projects in relation to the equipment cited in paragraph 2.5.4 below, including maintenance training, factory and on-the-job training, as well as inspector training.

2.5.4 The equipment and services procured in the course of the triennium had a direct impact on the improvement of safety and security of airports, communications and air navigation infrastructure and the efficiency of aviation operations in the countries concerned, in accordance with Strategic Objectives A, B and D. In particular, ICAO expertise ensured that technical specifications were in compliance with applicable ICAO SARPs and regional air navigation plans. Purchases made and contracts awarded in the period 2004-2006 include communications, navigation and surveillance equipment, flight calibration equipment, automatic weather observation equipment (AWOS), air traffic control and flight simulators, as well as airport and related equipment.

2.5.5 With particular regard to Strategic Objective A, the Cooperative Development of Operational Safety and Continuing Airworthiness Programme (COSCAP) continued to cooperate with States in their efforts to remedy safety-related deficiencies identified through Universal Safety Oversight Audit Programme (USOAP) audits. In coordination with the Unified Strategy Programme, technical cooperation is provided to States on a sub-regional basis, thus significantly reducing costs. Aiming at the establishment of a sub-regional safety oversight structure, the objective of COSCAP is to enhance the safety oversight capabilities of participating States, facilitating a coordinated approach with regard to shared technical expertise and providing training to national inspectors. TCB is currently implementing 10 COSCAP projects with the participation of 85 States in the Asia and Pacific, Europe and Middle East, Africa and the Americas Regions.

2.5.6 In line with Strategic Objective B, the Cooperative Aviation Security Programme (CASP) proposes a cost-effective solution to address common aviation security deficiencies on a regional basis and to improve compliance of participating States and their international airports with international security requirements and ICAO SARPs. CASP is also aimed at creating a regional structure that promotes cooperation and coordination in aviation security matters and encourages the exchange of information among aviation security authorities, as well as greater harmonization of aviation security measures and the training of personnel. During the past triennium, the implementation of a CASP project in the Asia and Pacific region continued with the participation of 18 States.

2.5.7 In addition to the above, it is to be noted that several country-specific projects implemented during the period comprised specific activities geared towards the improvement of safety and security.

2.5.8 With reference to Strategic Objective D, it should be noted that the 2004-2006 programme implementation included country-specific projects and 4 regional projects aimed at the modernization of air navigation systems, including the transition to the CNS/ATM systems. These projects promoted inter-regional cooperation, ensuring compliance with the Global Plan, regional air navigation plans and applicable ICAO standards through the procurement of equipment, provision of expertise and specialized training to technical and operational personnel in the air navigation/air traffic management fields. Other country-specific projects aimed at the enhancement of the efficiency of aviation operations included the development of airport master plans, the rehabilitation of airports and air traffic services, and the planning for the development or modernization of airports and air navigation facilities.

2.5.9 Detailed information on specific technical cooperation projects, including project achievements, is provided in Chapter V and Appendices to the Annual Report of the Council for the years 2004, 2005 and 2006.

2.6 Technical Co-operation Programme 2007

2.6.1 When this paper was prepared, the Technical Co-operation Programme for 2007 was still under development, and was estimated at US\$183.4 million, as of 31 March 2007 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 funds provided by developing countries to fund their own projects account for 98 per cent of the programme. Income for 2007 is estimated at US\$8.6 million and anticipated expenditures are US\$8.5 million, of which US\$1.6 million relate to Regular Programme staff costs and services funded through the AOSC Fund in the Regional Offices, Legal Bureau, Information Technology Section, Finance and Human Resource Branches. The above budgetary figures do not include additional support costs to be transferred from the Regular Programme Budget to the AOSC Fund in 2007. In 2006, these additional support costs amounted to US\$549 000. (A36-WP/48, EX/13 refers).

2.6.2 It will be noted that the estimates for 2007 anticipate a surplus of US\$167 000 and that the accumulated AOSC surplus at the end of 2007 is estimated at US\$6.1 million, after the provision of US\$2 million to fund part of the modernization of ICAO's financial systems estimated at US\$8 million (Assembly resolution A35-32 refers). The accumulated surplus, composed of income from administrative overhead, interests and income from travel services provided by TCB to the Organization and projects, serves as a reserve to cover end of service benefit entitlements for AOSC-funded staff amounting to US\$4.0 million at the end of 2006 as well as possible deficits in Technical Co-operation Programme operations.

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