

# FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2002

AND

# REPORT OF THE EXTERNAL AUDITOR



DOCUMENTATION  
for the 35th Session of the Assembly in 2004

Subject to approval by the Assembly

INTERNATIONAL CIVIL AVIATION ORGANIZATION

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**  
**AND**  
**REPORT OF THE EXTERNAL AUDITOR**

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2002**

**FOREWORD BY THE SECRETARY GENERAL**

1. The financial statements of the International Civil Aviation Organization for the year ended 31 December 2002 are presented under eleven different Funds or groups of Funds as indicated below. The magnitude of the financial operations, in terms of expenditures incurred, is indicated below against each Fund or group of Funds, and a summary is provided in Figure 1.

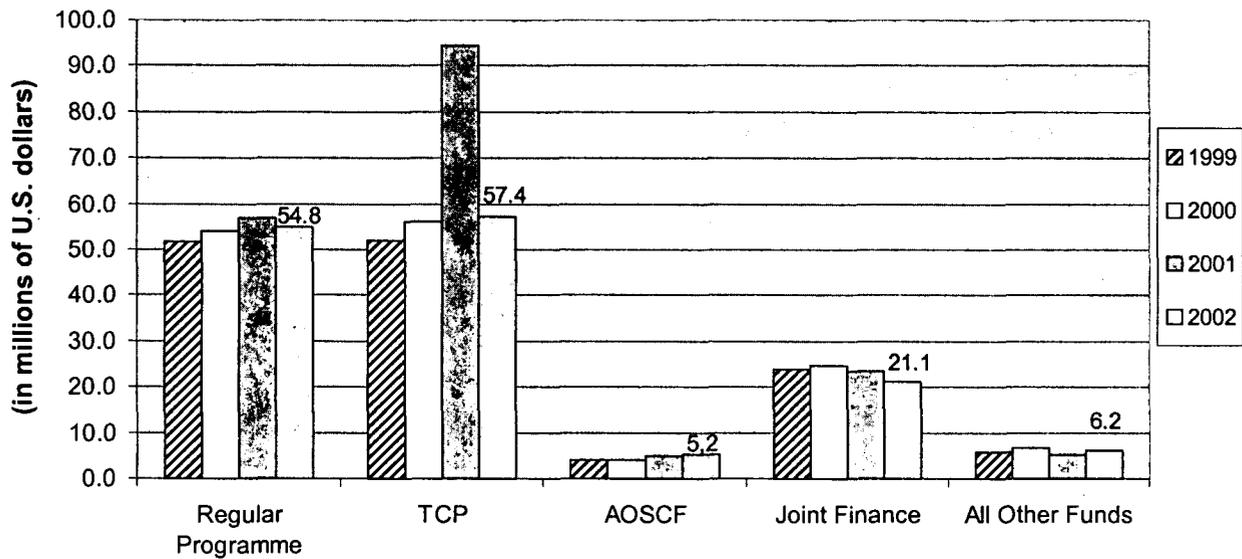
	<u>Total Expenditure</u> <u>(in United States dollars)</u>	
	<u>2002</u>	<u>2001</u>
1. Regular Programme (Funds appropriated by the Assembly or by the Council)	54 817 941	57 050 270
2. Joint Financing (Funds for the Joint Support of the Air Navigation Services)	21 119 513	23 588 578
3. Administrative and Operational Services Cost (Fund for the administration and operation of programmes of technical co-operation)	5 250 848	4 773 053
4. United Nations Development Programme (Funds mainly contributed by governments to UNDP under cost-sharing arrangements)*	19 590 255	52 767 928
5. Trust and Management Service Agreements (Funds provided by various contributors for technical co-operation projects executed by ICAO)*	27 846 401	31 579 206
6. Civil Aviation Purchasing Service (Funds provided by various contributors for civil aviation purchases on their behalf)*	9 976 787	10 227 156
7. Aviation Security Trust (Funds provided by various contributors for the improvement of aviation security)	1 257 424	668 384
8. ICAO Universal Safety Oversight Audit Programme (Funds provided by various contributors for safety oversight audits)	16 295	104 379
9. ICAO Objectives Implementation Mechanism (Funds provided by various contributors for technical co-operation)*	94 968	129 339
10. Special Accounts/Funds	1 518 380	644 706
11. Other (Funds not falling under any of the above categories)*	<u>3 299 141</u>	<u>3 511 329</u>
Total	<u>144 787 953</u>	<u>185 044 328</u>

\* Excluding the administrative overhead charges.

2. Summary information relating to income, expenditures, assets and liabilities on the main ICAO Funds and the combined total of all Funds is shown in Statements I and II.

3. A comparison of overall expenditures, in millions of United States dollars, for all ICAO activities during the last four years is provided in Figure 1 below.

**FIGURE 1**  
**TOTAL EXPENDITURES - ALL FUNDS COMPARISONS**  
**AS AT 31 DECEMBER**



**4. REGULAR PROGRAMME**

4.1 **Appropriations.** The 33rd Session of the Assembly in 2001, under Resolution A33-23, Clause A 2), voted appropriations in the amount of \$ 56 743 000 for 2002. Details of appropriations, transfers, expenditure and unobligated balances of appropriations are given in Statement IV on page 12. The budgetary results for 2002 may be summarized as follows:

Original appropriations	\$ 56 743 000
Increase in appropriations	1 215 000
Carried over from 2001	280 000
Carried over to 2002	<u>(3 355 466)</u>
Revised appropriations	54 882 534
Total expenditure	<u>54 817 941</u>
Unobligated balance of appropriations	<u>\$ 64 593</u>

4.2 **Income.** The appropriations for the year 2002 approved by the 33rd Session of the Assembly were to be financed by assessments on Contracting States in the amount of \$ 49 940 000, Miscellaneous Income estimated at \$ 4 544 000, and cash surplus of \$ 2 259 000. The actual results are given in Statement I on page 9 and the following comments apply:

- a) Assessments on Contracting States for 2002 amounted to \$ 49 954 982, including an assessment of \$ 14 982 from a new Contracting State. During the course of the year, \$ 46 917 069 was received, and \$ 3 037 913 remained outstanding at the year end against the current year's assessments. At the beginning of the year, \$ 14 162 245 was receivable from States in respect of 2001 and prior years; of this amount \$ 1 956 443 was received, leaving a balance outstanding of \$ 12 205 802. The assessments receivable for all years totalled \$ 15 243 715 as at 31 December 2002. Details are provided in Schedules A and B.
- b) **Miscellaneous Income** amounted to \$ 5 017 763 compared with the estimate of \$ 4 544 000.

4.3 **Surplus.** The total cumulative surplus as at 31 December 2002, as reflected in Statement V, amounted to \$14 166 042, as compared to \$ 26 733 166 in 2001. The significant decrease is mainly attributable to net carry forward of appropriations of \$ 3 075 466, distribution of cash surplus of \$ 1 000 000, and the setting aside in reserve cash surplus of an amount of \$ 8 429 000 for use in 2003 and 2004 in accordance with Assembly Resolution A33-23B. The balance of assessments receivable from Contracting States of \$ 15 243 715 was higher than the balance in 2001 and contributed to a reduction in cash surplus of \$ 1 081 470; as a result of the movements above, the year ended with an overall cash deficit of \$ 1 077 673.

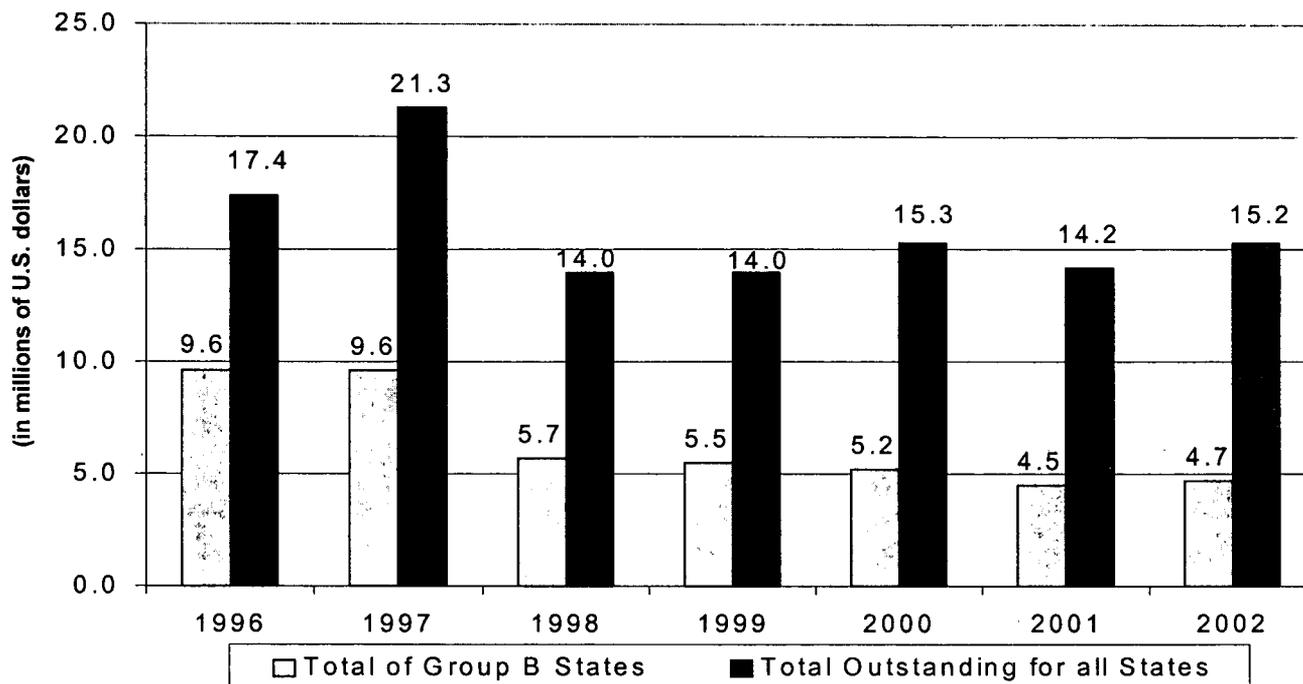
4.4 **Cash Balances.** The cash balances held in the General Fund as at 31 December 2002 amounted to \$ 24 709 696 (including the balance in the Working Capital Fund) and is reflected in Statement II.

4.5 **Forward Purchase of Currency.** In order to reduce the effect of currency fluctuations between the United States and Canadian dollars on the budget and to assist in eliminating the issue of forecasting currency exchange rates in the budget, the Organization entered into forward purchase contracts for Canadian dollars. The total value of the contracts amounted to \$151 212 000 Canadian dollars (costing U.S.\$97 177 403) for delivery during the period 4 January 2002 to 1 December 2004. During 2002, \$50 221 000 Canadian dollars were received at an actual cost of U.S.\$32 276 632.

## 5. **REGULAR PROGRAMME - STATUS OF CONTRIBUTIONS**

5.1 As stated in paragraph 4.2 a) above, the balance of contributions receivable from Contracting States in respect of 2002 and prior years as at 31 December 2002 amounted to \$ 15.24 million compared with \$14.16 million as at 31 December 2001. The percentage of receipts of contributions for the last four years in relation to the amount assessed was over 93 per cent. Figure 2 shows the status of the contributions receivable at the end of each of the years since 1996. As reflected in Statement V, delays in the receipt of contributions during the year resulted in a cash deficit at the end of 2002.

**FIGURE 2**  
**ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES**  
**AS AT 31 DECEMBER**



5.2 Of the total outstanding contributions of \$ 15.24 million at 31 December 2002, \$ 1.1 million pertained to States represented on the Council. As of the same date, outstanding contributions of Group B States, those in arrears for three full years or more, amounted to \$ 4.7 million.

5.3 As at 31 December 2002, 34 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of current year's contribution as well as an annual instalment payment towards the prior years' arrears. The note on Schedule B indicates the States that had not complied with the terms of their agreements at 31 December 2002.

## 6. ADMINISTRATIVE AND OPERATIONAL SERVICES COST FUND (AOSCF)

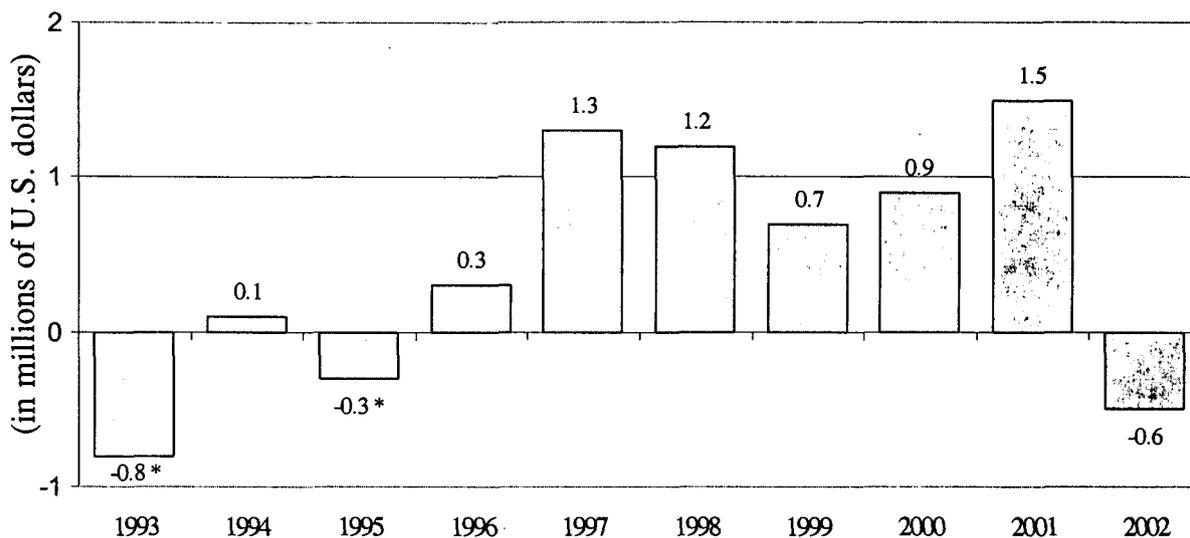
6.1 The AOSCF is utilized to meet the costs of administration and operations of the Technical Cooperation Programme (TCP), and is primarily financed from administrative overhead charges on UNDP, CAPS, Trust Fund and MSA projects.

6.2 An amount of \$ 0.3 million was spent during 2002 to improve the efficiency and effectiveness of the Technical Co-operation Bureau. The net effect of the shortfall and the expenditure for improvement of TCB was to reduce the accumulated surplus of the AOSCF to \$ 7.3 million at 31 December 2002 from \$ 8.2 million in 2001.

6.3 The AOSCF income for 2002 was \$4.3 million, a decrease of \$ 1.9 million compared with 2001, and less than the indicative income budget presented to the 33<sup>rd</sup> Session of the Assembly by approximately \$ 0.2 million. The reduction in income for 2002 was most dramatic in UNDP projects which were \$ 1.9 less than in 2001. The actual expenditure, on the other hand, amounted to \$ 5.2 million, of which \$ 0.3 million was expenditure relating to improving the efficiency and effectiveness of TCB funded from surplus reserved specifically for that purpose. After taking into account the amount of \$ 0.3 million from surplus used to finance the expenditure for improving the efficiency and effectiveness of TCB, the net expenditure for the year amounted to \$ 4.9 million, which was less than the final indicative budget of \$ 5.1 million approved by the Council. Consequently, the AOSCF incurred a net shortfall, of \$ 0.6 million, for the first time since 1996.

FIGURE 3

AOSCF SHORTFALLS AND SURPLUS AS AT 31 DECEMBER\*\*



\* Shortfall before Regular Programme Support

\*\* Note that the above amounts do not include the expenditure for improving the efficiency and effectiveness of TCB.

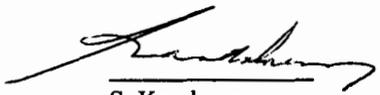
6.4 As shown in Figure 1, total expenditures for Technical Co-operation Programme (TCP) in 2002 amounted to \$57.4 million, compared with \$ 94.6 million in 2001. Consequently, the recovery of overhead charges and support costs, which constitute the primary income of the AOSCF, was reduced. In addition, procurement under the TCP valued at \$6.0 million, for which a substantial amount of work had been completed by 31 December 2002, could not be recorded in the 2002 as the funds for the procurement were not received from the Contracting State. Under the existing accounting policy, adopted since the inception of the TCP, income from overhead charges is only recognized on the basis of actual expenditures incurred under the projects. Consequently, although a major part of the work by ICAO may have been completed in a financial year, the overhead charges may only be recognized in the following financial year when actual procurement contracts are entered into. Conversely, ICAO may continue to incur expenditures in future years as part of follow-up actions relating to contract implementation. The income and the expenditure incurred in generating the income may not be reported in the same financial year. Accordingly, the evaluation of the financial position of the AOSCF over a longer period, of two to three years, would provide a better picture of the results of the operations.

7. **ESTABLISHMENT OF AN INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY (IFFAS)**

Pursuant to Assembly Resolution A33-10, the Council, in the 167<sup>th</sup> Session held on 4 December 2002, established an International Financial Facility for Aviation Safety (IFFAS). In accordance with the Administrative Charter approved by the Council, IFFAS will operate independently under the purview of the Council. A special account was established to receive voluntary contributions from Contracting States for the purpose of IFFAS. The balance in the account as at 31 December 2002 amounted to \$226 144.

8. **CERTIFICATION AND APPROBATION:**

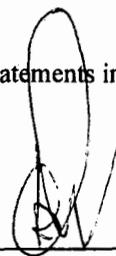
The Statements included in this annual report are certified:

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S. Kandasamy  
Chief, Finance Branch

The Statements included in this annual report are approved:

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R.C. Costa Pereira  
Secretary General

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**FINANCIAL STATEMENTS FOR THE PERIOD ENDING**  
**31 DECEMBER 2002**

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## OPINION OF THE EXTERNAL AUDITOR

To the Assembly  
International Civil Aviation Organization

I have audited the statement of assets and liabilities of the International Civil Aviation Organization (ICAO) as at 31 December 2002 and the statements of income and expenditure and changes in fund balances, cash flow for ICAO's funds, surplus and appropriations for the regular programme general fund and supporting schedules for the year then ended. These financial statements are the responsibility of the Secretary General. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, conforming with international standards on auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2002 and the results of its operations and changes in fund balances, cash flow for ICAO's funds, surplus and appropriations for the regular programme general fund for the year then ended in accordance with the International Civil Aviation Organization's accounting policies set out in Notes 2 to the financial statements which were applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the International Civil Aviation Organization that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the International Civil Aviation Organization's Financial Regulations and legislative authority.

In accordance with Article XIII of the Financial Regulations, I have also issued a long-form report on my audit of the International Civil Aviation Organization.

Sheila Fraser, FCA  
Auditor General of Canada  
External Auditor

Montreal, Canada  
15 May 2003

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2002**  
 (expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Administrative and Operational Services Cost Fund		Special Accounts/ Funds		Sub-total ICAO Funds		Joint Financing Funds		United Nations Development Programme		Trust Funds and Management Service Agreements		Civil Aviation Purchasing Service Funds		ICAO Mechanisms *		Other Funds		Eliminations		Total		
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
<b>INCOME</b>																									
Assessed Contributions	49 955	49 992					49 955	49 992	237	(3 677)			32 055	31 609	8 095	11 572	3 865	1 088	339	531			50 192	46 315	
Government and Other Contributions					261	370	261	370															44 615	45 170	
Other Income																							3 242	3 362	
Sale of publications	3 242	3 362					3 242	3 362																	
Funds received under inter-organization arrangements											28 828	36 865											28 828	36 865	
Income for services rendered : Administrative overhead																									
UNDP and Trust Funds	44	43	3 442	5 636			3 486	5 679													(3 486)	(5 679)			
Interest income	433	1 136	127	256	70	21	630	1 413	19	45			840	1 525	105	183	53	95	64	178			1 711	3 439	
User charge / Administrative fee revenues									22 066	21 750									2 903	2 770			24 969	24 520	
Other	1 299	1 329	759	274	792	510	2 850	2 113		91			542	411			273	39					3 665	2 654	
<b>TOTAL INCOME</b>	<b>54 973</b>	<b>55 862</b>	<b>4 328</b>	<b>6 166</b>	<b>1 123</b>	<b>901</b>	<b>60 424</b>	<b>62 929</b>	<b>22 322</b>	<b>18 209</b>	<b>28 828</b>	<b>36 865</b>	<b>33 437</b>	<b>33 545</b>	<b>8 200</b>	<b>11 755</b>	<b>4 191</b>	<b>1 222</b>	<b>3 306</b>	<b>3 479</b>	<b>(3 486)</b>	<b>(5 679)</b>	<b>157 222</b>	<b>162 325</b>	
<b>EXPENDITURE</b>																									
Salaries and common staff costs	45 399	45 153	4 579	4 157	577	271	50 555	49 581									769	536	575	559			51 899	50 676	
General operating expenses	6 530	7 799	76	58	403	208	7 009	8 065															7 009	8 065	
Travel	1 598	2 057	151	144	30	4	1 779	2 205									416	217	51	34			2 246	2 456	
Equipment	525	935	6	39	362	49	893	1 023			12 459	41 443	3 310	4 807	8 090	10 055	39	12					24 791	57 340	
Meetings	396	943					396	943															396	943	
Expert and other personnel costs											4 997	6 638	18 195	18 673			11	62					23 203	25 373	
Subcontracts											825	2 669	3 792	5 265									4 617	7 934	
Training											808	1 210	722	1 146			38	40					1 568	2 396	
Administrative overhead charges											1 216	3 076	1 960	2 184	256	360	10	16							
Service costs									21 021	23 585									44	43	(3 486)	(5 679)	23 503	26 326	
Expended for efficiency/effectiveness of TCB (Note 6 - AOSCF)			290	145			290	145											2 482	2 741			290	145	
Other	370	163	149	230	146	113	665	506	99	4	501	807	1 827	1 688	1 887	172	96	35	191	178			5 266	3 390	
<b>TOTAL EXPENDITURE</b>	<b>54 818</b>	<b>57 050</b>	<b>5 251</b>	<b>4 773</b>	<b>1 518</b>	<b>645</b>	<b>61 587</b>	<b>62 468</b>	<b>21 120</b>	<b>23 589</b>	<b>20 806</b>	<b>55 843</b>	<b>29 806</b>	<b>33 763</b>	<b>10 233</b>	<b>10 587</b>	<b>1 379</b>	<b>918</b>	<b>3 343</b>	<b>3 555</b>	<b>(3 486)</b>	<b>(5 679)</b>	<b>144 788</b>	<b>185 044</b>	
<b>EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>155</b>	<b>(1 188)</b>	<b>(923)</b>	<b>1 393</b>	<b>(395)</b>	<b>256</b>	<b>(1 163)</b>	<b>461</b>	<b>1 202</b>	<b>(5 380)</b>	<b>8 022</b>	<b>(18 978)</b>	<b>3 631</b>	<b>(218)</b>	<b>(2 033)</b>	<b>1 168</b>	<b>2 812</b>	<b>304</b>	<b>(37)</b>	<b>(76)</b>			<b>12 434</b>	<b>(22 719)</b>	
Transfer from TCB Reserve Surplus			290	145			290	145															290	145	
<b>NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE</b>	<b>155</b>	<b>(1 188)</b>	<b>(633)</b>	<b>1 538</b>	<b>(395)</b>	<b>256</b>	<b>(873)</b>	<b>606</b>	<b>1 202</b>	<b>(5 380)</b>	<b>8 022</b>	<b>(18 978)</b>	<b>3 631</b>	<b>(218)</b>	<b>(2 033)</b>	<b>1 168</b>	<b>2 812</b>	<b>304</b>	<b>(37)</b>	<b>(76)</b>			<b>12 724</b>	<b>(22 574)</b>	
<b>FUND BALANCES</b>																									
Transfer from TCB Reserve Surplus			(290)	(145)			(290)	(145)															(290)	(145)	
Adjustment of prior year's unliquidated obligation/expenditure	345	413	12	15		100	357	528															357	528	
Surplus distribution (Note 11 - Regular Programme)	(1 000)	(1 982)					(1 000)	(1 982)															(1 000)	(1 982)	
Increase (Decrease) in Working Capital Fund	(3)	7					(3)	7															(3)	7	
Transfers to/from other funds (Statement V)	(562)	(5 673)			562	5 673							(78)	12	78	(12)									
Refund of contributions/transfer of Fund balances													(3 525)	(5 240)	(407)	(32)							(3 932)	(5 331)	
Fund balances, beginning of period	34 085	42 508	8 249	6 841	7 517	1 488	49 851	50 837	(2 019)	3 361	(30 621)	(11 643)	21 557	27 003	3 215	2 091	2 498	2 194	3 888	4 023			48 369	77 866	
<b>FUND BALANCES, END OF PERIOD</b>	<b>33 020</b>	<b>34 085</b>	<b>7 338</b>	<b>8 249</b>	<b>7 684</b>	<b>7 517</b>	<b>48 042</b>	<b>49 851</b>	<b>(817)</b>	<b>(2 019)</b>	<b>(22 599)</b>	<b>(30 621)</b>	<b>21 585</b>	<b>21 557</b>	<b>853</b>	<b>3 215</b>	<b>5 310</b>	<b>2 498</b>	<b>3 851</b>	<b>3 888</b>			<b>56 225</b>	<b>48 369</b>	

\* The ICAO Mechanisms comprise the Aviation Security Trust Fund (Schedule I), ICAO Universal Safety Oversight Audit Programme Fund (Schedule J) and the ICAO Objectives Implementation Mechanism Fund (Schedule K).

The accompanying notes and schedules are an integral part of the financial statements.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**AS AT 31 DECEMBER 2002**  
(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Administrative and Operational Services Cost Fund		Special Accounts/ Funds		Sub-total ICAO Funds		Joint Financing Funds		United Nations Development Programme		Trust Funds and Management Service Agreements		Civil Aviation Purchasing Service Funds		ICAO Mechanisms *		Other Funds		Eliminations		Total				
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001			
<b>ASSETS</b>																											
Cash and term deposits	24 710	29 673	7 897	8 439	4 562	1 165	37 169	39 277	1 359	1 407	276	228	26 195	28 297	7 772	12 340	4 387	2 596	4 071	4 062			81 229	88 207			
Accounts receivable:																											
Assessed contributions receivable from Contracting States (Schedules A, B, E and Note 4 - Regular Programme)	15 311	14 175					15 311	14 175	1	4			2 544	2 295	1 126	294	203	175	1 740	47	102	84	(10 872)	(10 169)	15 312	14 175	
Inter-fund balances	1 091	674	322	185	3 740	6 411	5 153	7 270	4		2 544	2 295	1 126	294	203	175	174	47	102	84	(10 872)	(10 169)	13 851	8 666			
Receivables and advances Recoverable from Regional Bodies : AFCAC and LACAC (Note 5 - Regular Programme)	3 200	3 938	664	354	164	140	4 028	4 432	1 540	1 226	7 961	2 614	1 170	382	3	3	149	9							1 746	1 708	
Other assets	1 746	1 708					1 746	1 708																	32	66	
Land and Buildings, at cost	32	66					32	66																	1 065	1 065	
Land and Buildings, at cost	1 065	1 065					1 065	1 065																		1 065	1 065
<b>TOTAL ASSETS</b>	<b>47 155</b>	<b>51 299</b>	<b>8 883</b>	<b>8 978</b>	<b>8 466</b>	<b>7 716</b>	<b>64 504</b>	<b>67 993</b>	<b>2 904</b>	<b>2 637</b>	<b>10 781</b>	<b>5 137</b>	<b>27 491</b>	<b>28 973</b>	<b>7 978</b>	<b>12 518</b>	<b>6 276</b>	<b>2 652</b>	<b>4 173</b>	<b>4 146</b>	<b>(10 872)</b>	<b>(10 169)</b>	<b>113 235</b>	<b>113 887</b>			
<b>LIABILITIES</b>																											
Contributions received in advance (Schedule C)	3 173	3 166					3 173	3 166									20	21	40	40					3 193	3 166	
Unliquidated obligations	1 282	2 036	169	284	139	130	1 590	2 450			5 602	28 570	1 331	2 297	3 504	1 573	188	21	40	40					12 255	34 951	
Accounts payable	3 779	4 291	76	96	161		4 016	4 387			27 762	7 080	2 770	3 153	2 713	7 639	162	33							37 423	22 292	
Due to Regional Bodies : ECAC (Note 5 - Regular Programme)	379	447					379	447																	379	447	
Inter-fund balances	5 522	7 274	1 290	348	482	69	7 294	7 691			16	108	1 805	1 966	908	91	596	100	253	213	(10 872)	(10 169)	3 750	4 661			
Credits to contracting/servicing Governments (Schedule E)							10	1	3 721	4 656								29	5					10	1		
Other credit balances and provisions			10	1			10	1																			
<b>TOTAL LIABILITIES</b>	<b>14 135</b>	<b>17 214</b>	<b>1 545</b>	<b>729</b>	<b>782</b>	<b>199</b>	<b>16 462</b>	<b>18 142</b>	<b>3 721</b>	<b>4 656</b>	<b>33 380</b>	<b>35 758</b>	<b>5 906</b>	<b>7 416</b>	<b>7 125</b>	<b>9 303</b>	<b>966</b>	<b>154</b>	<b>322</b>	<b>258</b>	<b>(10 872)</b>	<b>(10 169)</b>	<b>57 010</b>	<b>65 518</b>			
<b>FUND BALANCES</b>																											
Represented by:																											
Contributed capital relating to land and buildings	1 065	1 065					1 065	1 065																	1 065	1 065	
Appropriations carried forward (Note 3 - Regular Programme)	3 355	280					3 355	280																	3 355	280	
Cumulative Surplus (Statement V)	14 167	26 733					14 167	26 733																	14 167	26 733	
Reserved Cash Surplus (Statement V) (Note 11 - Regular Programme)	8 429						8 429																		8 429		
Working Capital Fund (Note 6 - Regular Programme)	6 004	6 007					6 004	6 007																	6 004	6 007	
Reserve for TCB (Notes 5 and 6 - ACSCF)			323	305			323	305																	323	305	
Balance of Funds			7 015	7 944	7 684	7 517	14 699	15 461	( 817)	(2 019)	(22 599)	(30 621)	21 585	21 557	853	3 215	5 310	2 498	3 851	3 888					22 882	13 979	
<b>TOTAL FUND BALANCES</b>	<b>33 020</b>	<b>34 085</b>	<b>7 338</b>	<b>8 249</b>	<b>7 684</b>	<b>7 517</b>	<b>48 042</b>	<b>49 851</b>	<b>( 817)</b>	<b>(2 019)</b>	<b>(22 599)</b>	<b>(30 621)</b>	<b>21 585</b>	<b>21 557</b>	<b>853</b>	<b>3 215</b>	<b>5 310</b>	<b>2 498</b>	<b>3 851</b>	<b>3 888</b>					<b>56 225</b>	<b>48 369</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>47 155</b>	<b>51 299</b>	<b>8 883</b>	<b>8 978</b>	<b>8 466</b>	<b>7 716</b>	<b>64 504</b>	<b>67 993</b>	<b>2 904</b>	<b>2 637</b>	<b>10 781</b>	<b>5 137</b>	<b>27 491</b>	<b>28 973</b>	<b>7 978</b>	<b>12 518</b>	<b>6 276</b>	<b>2 652</b>	<b>4 173</b>	<b>4 146</b>	<b>(10 872)</b>	<b>(10 169)</b>	<b>113 235</b>	<b>113 887</b>			

\* The ICAO Mechanisms comprise the Aviation Security Trust Fund (Schedule D), ICAO Universal Safety Oversight Audit Programme Fund (Schedule J) and the ICAO Objectives Implementation Mechanism Fund (Schedule F).

The accompanying notes and schedules are an integral part of the financial statements.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDING 31 DECEMBER 2002**

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Administrative and Operational Services Cost Fund	
	2002	2001	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net excess (shortfall) of income over expenditure (Statement I) (Note 3 - Regular Programme)	155	( 1 188)	( 633)	1 538
Less : Interest income	( 433)	( 1 136)	( 127)	( 256)
(Increase) decrease in contributions receivable	( 1 136)	1 163		
(Increase) decrease in other accounts receivable	700	126	( 310)	16
(Increase) decrease in other assets	34	15		
Increase (decrease) in contributions received in advance	7	196		
Increase (decrease) in accounts payable	( 580)	1 160	( 20)	( 33)
Increase (decrease) in unliquidated obligations	( 754)	( 798)	( 115)	165
Increase (decrease) in other credit balances and provisions			9	1
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>( 2 007)</b>	<b>( 462)</b>	<b>( 1 196)</b>	<b>1 431</b>
<b>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:</b>				
(Increase) decrease in inter-fund balances receivable	( 417)	20	( 137)	969
Increase (decrease) in inter-fund balances payable	( 1 752)	5 171	942	( 103)
Increase (decrease) in balance of the Working Capital Fund	( 3)	7		
Interest income	433	1 136	127	256
<b>NET CASH (OUTFLOW) FROM INVESTING AND FINANCING ACTIVITIES</b>	<b>( 1 739)</b>	<b>6 334</b>	<b>932</b>	<b>1 122</b>
<b>CASH FLOWS FROM OTHER SOURCES:</b>				
Improving efficiency and effectiveness of TCB (Note 6 - AOSCF)			( 290)	( 145)
Adjustment to prior year's unliquidated obligations/expenditure	345	413	12	15
Distribution of surplus and transfers to incentive scheme and ICT	( 1 562)	( 7 655)		
<b>NET CASH (OUTFLOW) FROM OTHER SOURCES</b>	<b>( 1 217)</b>	<b>( 7 242)</b>	<b>( 278)</b>	<b>( 130)</b>
<b>NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS</b>	<b>( 4 963)</b>	<b>( 1 370)</b>	<b>( 542)</b>	<b>2 423</b>
Cash and term deposits, beginning of period	29 673	31 043	8 439	6 016
<b>CASH AND TERM DEPOSITS, END OF PERIOD</b>	<b>24 710</b>	<b>29 673</b>	<b>7 897</b>	<b>8 439</b>

The accompanying notes and schedules are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND  
STATEMENT OF APPROPRIATIONS  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(expressed in thousands of United States dollars)

	Appropriations						Expenditure			Balance
	Original (A33-23A) \a	Carried over from prior year \b	Increase \c	Transfers between Major Programmes \d	Carried over to following year \d	Revised	Disbursements	Unliquidated obligations	Total	
General Policy and Direction	1 838		110	73	( 991)	1 030	1 015	9	1 024	6
Air Navigation	8 236		514		( 812)	7 938	7 632	260	7 892	46
Air Transport	4 491		30		( 73)	4 448	4 358	62	4 420	28
AVSEC Enhanced Mechanism Fund							250		250	( 250)
Legal	786		72		( 30)	828	821	3	824	4
Regional and Other Programmes	14 761		63	254	( 275)	14 803	14 497	301	14 798	5
Administrative Support	21 528		426	( 77)	( 367)	21 510	20 809	532	21 341	169
Finance, External Relations / Public Information and Programmes Evaluation, Audit and Management Review	3 372			( 216)	( 246)	2 910	2 797	84	2 881	29
Universal Safety Oversight Audit Programme	968	280		( 34)	( 153)	1 061	1 024	12	1 036	25
	55 980	280	1 215		(2 947)	54 528	53 203	1 263	54 466	62
Universal Safety Oversight Audit Programme funded by cash surplus	763				( 408)	355	333	19	352	3
<b>TOTAL</b>	<b>56 743</b>	<b>280</b>	<b>1 215</b>		<b>(3 355)</b>	<b>54 883</b>	<b>53 536</b>	<b>1 282</b>	<b>54 818</b>	<b>65</b>

\a Includes appropriations funded by cash surplus of 2,259,000.(A33-23, A-3(c)).

\b Approved by Council at its 165th Session (C-165/4).

\c Approved by Council at its 166th Session (C-166/2) and 167th Session (C-167/7).

\d Approved by Council at its 167th Session (C-167/9).

The accompanying notes and schedules are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND  
STATEMENT OF SURPLUS  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(expressed in thousands of United States dollars)

	2002	2001
Balance of cumulative Surplus at beginning of year	26 733	31 362
i) Excess (shortfall) of income over expenditure (Note 3 - Regular Programme)	155	(1 188)
ii) Adjustment to prior year's expenditures	143	( 66)
iii) Write-off	( 6)	
iv) Cancellation of prior year's unliquidated obligations	208	479
v) Appropriations carried over from prior year (Note 3 - Regular Programme)	280	4 081
vi) Appropriations carried over to following year (Note 3 - Regular Programme)	(3 355)	( 280)
vii) Distribution of surplus		(1 982)
viii) Transfer to Special Accounts/Funds :		
Information and Communication Technology (ICT) Fund		(3 570)
Incentive for settlement of arrears (A33-27) (Note 1.4 - Special Accounts/Funds)	( 562)	(2 103)
ix) Transfer from/(to) Reserved Cash Surplus (A33-23B) (Note 11 - Regular Programme)		
Transfer to Reserved Cash Surplus during the year	(11 688)	
Transfer from Reserved Cash Surplus during the year	2 259	
Balance of cumulative Surplus at end of year	14 167	26 733
Surplus represented by :		
Cash Surplus / (Deficit)	(1 077)	12 571
Non-cash Surplus for balance of outstanding assessments receivable (Schedule B)	15 244	14 162
Balance of cumulative Surplus at end of year	14 167	26 733

Reserved Cash Surplus (A33-23B) (Notes 11 - Regular Programme)		
Balance of Reserved Cash Surplus at beginning of year	-	
Amount reserved in accordance with Resolution A33-23B	11 688	
Distribution of cash surplus, 1 January 2002	(1 000)	
Transfer to cumulative Surplus during the year		
Allocated to Universal Safety Oversight Audit Programme	( 763)	
Utilized to minimize assessments for the year	(1 496)	
Balance of Reserved Cash Surplus at end of year	8 429	

The accompanying notes and schedules are an integral part of the financial statements.

## SCHEDULE A

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## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS ON CONTRACTING STATES FOR THE GENERAL FUND  
FOR THE FINANCIAL YEAR 2002 AND BALANCES RECEIVABLE  
AS AT 31 DECEMBER 2002

Contracting States <u>Assembly Resolutions A33-26 and A33-23A</u>	(in United States dollars)			
	2002	Assessments	Contributions Received	Balances Receivable
Afghanistan	0.06	29 964		29 964
Albania	0.06	29 964	29 964	
Algeria	0.07	34 958	34 958	
Andorra	0.06	29 964	29 964	
Angola	0.06	29 964		29 964
Antigua and Barbuda	0.06	29 964		29 964
Argentina	0.72	359 568		359 568
Armenia	0.06	29 964		29 964
Australia	1.66	829 004	829 004	
Austria	0.77	384 538	384 538	
Azerbaijan	0.06	29 964		29 964
Bahamas	0.06	29 964	29 964	
Bahrain	0.06	29 964	29 964	
Bangladesh	0.07	34 958	601	34 357
Barbados	0.06	29 964	29 964	
Belarus	0.06	29 964	950	29 014
Belgium	0.95	474 430	474 430	
Belize	0.06	29 964		29 964
Benin	0.06	29 964		29 964
Bhutan	0.06	29 964	29 964	
Bolivia	0.06	29 964	29 964	
Bosnia and Herzegovina	0.06	29 964		29 964
Botswana	0.06	29 964	29 964	
Brazil	1.64	819 016	819 016	
Brunei Darussalam	0.06	29 964	29 964	
Bulgaria	0.06	29 964	29 964	
Burkina Faso	0.06	29 964		29 964
Burundi	0.06	29 964	23 947	6 017
Cambodia	0.06	29 964	29 964	
Cameroon	0.06	29 964	8 744	21 220
Canada	2.30	1 148 620	1 148 620	
Cape Verde	0.06	29 964		29 964
Central African Republic	0.06	29 964		29 964
Chad	0.06	29 964		29 964
Chile	0.29	144 826	144 826	
China	1.25	624 250	624 250	
Colombia	0.21	104 874	2 203	102 671
Comoros	0.06	29 964		29 964
Congo	0.06	29 964		29 964
Cook Islands	0.06	29 964	29 964	
Costa Rica	0.06	29 964	1 199	28 765
Côte d'Ivoire	0.06	29 964	20 024	9 940
Croatia	0.06	29 964	29 964	
Cuba	0.06	29 964	29 964	
Cyprus	0.06	29 964	29 964	
Czech Republic	0.17	84 898	84 898	
Democratic People's Republic of Korea	0.06	29 964		29 964
Democratic Republic of the Congo	0.06	29 964		29 964
Denmark	0.57	284 658	284 658	
Djibouti	0.06	29 964		29 964
Dominican Republic	0.06	29 964	29 964	
Ecuador	0.06	29 964	29 964	
Egypt	0.17	84 898	81 839	3 059
El Salvador	0.06	29 964		29 964
Equatorial Guinea	0.06	29 964		29 964
Eritrea	0.06	29 964	29 964	
Estonia	0.06	29 964	29 964	
Ethiopia	0.06	29 964	29 964	
Fiji	0.06	29 964	29 232	732
Finland	0.44	219 736	219 736	
France	5.40	2 696 760	2 696 760	
Gabon	0.06	29 964		29 964
Gambia	0.06	29 964		29 964
Georgia	0.06	29 964		29 964
Germany	7.74	3 865 356	3 865 356	

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME  
ASSESSMENTS ON CONTRACTING STATES FOR THE GENERAL FUND  
FOR THE FINANCIAL YEAR 2002 AND BALANCES RECEIVABLE  
AS AT 31 DECEMBER 2002

Contracting States		(in United States dollars)			
<u>Assembly Resolutions A33-26 and A33-23A</u>	<u>2002</u>	<u>Assessments</u>	<u>Contributions Received</u>	<u>Balances Receivable</u>	
Ghana	0.06	29 964	29 964		
Greece	0.41	204 754	200 554	4 200	
Grenada	0.06	29 964	11 323	18 641	
Guatemala	0.06	29 964	29 964		
Guinea	0.06	29 964	3 495	26 469	
Guinea-Bissau	0.06	29 964		29 964	
Guyana	0.06	29 964	29 964		
Haiti	0.06	29 964	29 964		
Honduras	0.06	29 964	29 964		
Hungary	0.12	59 928	59 928		
Iceland	0.06	29 964	29 964		
India	0.40	199 760	199 760		
Indonesia	0.25	124 850	124 850		
Iran, Islamic Republic of	0.23	114 862	21 421	93 441	
Iraq	0.10	49 940		49 940	
Ireland	0.28	139 832	139 832		
Israel	0.48	239 712		239 712	
Italy	3.78	1 887 732	1 887 732		
Jamaica	0.06	29 964		29 964	
Japan	14.58	7 281 252	7 281 252		
Jordan	0.06	29 964	29 964		
Kazakhstan	0.06	29 964	29 964		
Kenya	0.06	29 964		29 964	
Kiribati	0.06	29 964		29 964	
Kuwait	0.17	84 898	84 898		
Kyrgyzstan	0.06	29 964		29 964	
Lao People's Democratic Republic	0.06	29 964	1 199	28 765	
Latvia	0.06	29 964	29 964		
Lebanon	0.06	29 964	29 964		
Lesotho	0.06	29 964	29 964		
Liberia	0.06	29 964	18 313	11 651	
Libyan Arab Jamahiriya	0.06	29 964	13 392	16 572	
Lithuania	0.06	29 964	29 964		
Luxembourg	0.13	64 922	64 922		
Madagascar	0.06	29 964		29 964	
Malawi	0.06	29 964		29 964	
Malaysia	0.54	269 676	269 676		
Maldives	0.06	29 964	29 964		
Mali	0.06	29 964		29 964	
Malta	0.06	29 964	29 964		
Marshall Islands	0.06	29 964		29 964	
Mauritania	0.06	29 964		29 964	
Mauritius	0.06	29 964	29 964		
Mexico	0.92	459 448	459 448		
Micronesia, Federated States of	0.06	29 964		29 964	
Monaco	0.06	29 964	29 964		
Mongolia	0.06	29 964	29 964		
Morocco	0.10	49 940		49 940	
Mozambique	0.06	29 964	29 964		
Myanmar	0.06	29 964		29 964	
Namibia	0.06	29 964	931	29 033	
Nauru	0.06	29 964		29 964	
Nepal	0.06	29 964		29 964	
Netherlands	1.97	983 818	983 818		
New Zealand	0.37	184 778	184 778		
Nicaragua	0.06	29 964		29 964	
Niger	0.06	29 964		29 964	
Nigeria	0.06	29 964	29 964		
Norway	0.51	254 694	254 694		
Oman	0.08	39 952	39 952		
Pakistan	0.16	79 904	79 904		
Palau	0.06	29 964	29 964		
Panama	0.06	29 964	29 964		
Papua New Guinea	0.06	29 964	29 964		
Paraguay	0.06	29 964		29 964	

**SCHEDULE A**  
**(continued)**

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**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**REGULAR PROGRAMME**  
**ASSESSMENTS ON CONTRACTING STATES FOR THE GENERAL FUND**  
**FOR THE FINANCIAL YEAR 2002 AND BALANCES RECEIVABLE**  
**AS AT 31 DECEMBER 2002**

Contracting States		(in United States dollars)			
<u>Assembly Resolutions A33-26 and A33-23A</u>		2002	Assessments	<u>Contributions Received</u>	<u>Balances Receivable</u>
Peru		0.10	49 940	49 940	
Philippines		0.17	84 898	63 996	20 902
Poland		0.26	129 844	129 844	
Portugal		0.41	204 754	204 754	
Qatar		0.06	29 964	29 964	
Republic of Korea		1.99	993 806	964 406	29 400
Republic of Moldova		0.06	29 964	29 964	
Romania		0.07	34 958	34 958	
Russian Federation		0.84	419 496	419 496	
Rwanda		0.06	29 964		29 964
Saint Lucia		0.06	29 964		29 964
Saint Vincent and the Grenadines		0.06	29 964	300	29 664
Samoa		0.06	29 964	29 964	
San Marino		0.06	29 964	29 964	
Sao Tome and Principe		0.06	29 964		29 964
Saudi Arabia		0.63	314 622	314 622	
Senegal		0.06	29 964		29 964
Seychelles		0.06	29 964		29 964
Sierra Leone		0.06	29 964		29 964
Singapore		1.10	549 340	549 340	
Slovakia		0.06	29 964	29 964	
Slovenia		0.06	29 964	29 964	
Solomon Islands		0.06	29 964		29 964
Somalia		0.06	29 964		29 964
South Africa		0.52	259 688	259 688	
Spain		2.04	1 018 776	1 018 776	
Sri Lanka		0.06	29 964	29 964	
Sudan		0.06	29 964	29 753	211
Suriname		0.06	29 964		29 964
Swaziland		0.06	29 964	29 964	
Sweden		0.78	389 532	389 532	
Switzerland		1.25	624 250	624 250	
Syrian Arab Republic		0.07	34 958	34 958	
Tajikistan		0.06	29 964		29 964
Thailand		0.58	289 652	289 652	
The former Yugoslav Republic of Macedonia		0.06	29 964		29 964
Togo		0.06	29 964	29 964	
Tonga		0.06	29 964		29 964
Trinidad and Tobago		0.06	29 964	29 964	
Tunisia		0.06	29 964	29 964	
Turkey		0.45	224 730	224 130	600
Turkmenistan		0.06	29 964	29 964	
Uganda		0.06	29 964	29 964	
Ukraine		0.06	29 964	29 964	
United Arab Emirates		0.35	174 790	144 243	30 547
United Kingdom		5.39	2 691 766	2 691 766	
United Republic of Tanzania		0.06	29 964	29 964	
United States		25.00	12 485 000	12 485 000	
Uruguay		0.06	29 964		29 964
Uzbekistan		0.06	29 964		29 964
Vanuatu		0.06	29 964		29 964
Venezuela		0.20	99 880		99 880
Viet Nam		0.06	29 964	29 964	
Yemen		0.06	29 964	29 964	
Yugoslavia *		0.06	29 964	29 964	
Zambia		0.06	29 964		29 964
Zimbabwe		0.06	29 964	29 964	
Sub-total		<u>100.00</u>	<u>49 940 000</u>	<u>46 917 069</u>	<u>3 022 931</u>
<u>New Contracting State</u>					
Saint Kitts and Nevis	C-167/4	0.06	14 982		14 982
TOTAL			<u>49 954 982</u>	<u>46 917 069</u>	<u>3 037 913</u>

\* The official name was changed to Serbia and Montenegro in February 2003.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**REGULAR PROGRAMME**  
**ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES**  
**IN RESPECT OF ALL FINANCIAL YEARS AS AT 31 DECEMBER 2002**

(in United States dollars)

<u>Contracting States</u>	<u>General Fund</u>			<u>Working Capital Fund</u>	<u>Total Balances Receivable</u>
	<u>2002 (Schedule A)</u>	<u>Prior years</u>	<u>Total</u>		
<b><u>GROUP A (cf.note)</u></b>					
Belarus (1)	29 014	4 021	33 035		33 035
Benin (1)	29 964	252 498	282 462		282 462
Bosnia and Herzegovina (1)	29 964	62 644	92 608		92 608
Burkina Faso (1)	29 964	258 633	288 597		288 597
Burundi (1)	6 017	59 535	65 552		65 552
Cambodia		255 307	255 307		255 307
Central African Republic (1)	29 964	357 653	387 617		387 617
Chad (1)	29 964	408 162	438 126		438 126
Congo (1)	29 964	304 296	334 260		334 260
Cook Islands		135 415	135 415		135 415
Côte d'Ivoire (1)	9 940	133 631	143 571		143 571
El Salvador (1)	29 964	105 361	135 325		135 325
Equatorial Guinea (1)	29 964	29 484	59 448		59 448
Gabon (1)	29 964	191 626	221 590		221 590
Gambia (1)	29 964	285 525	315 489		315 489
Grenada (1)	18 641	303 855	322 496		322 496
Guinea (1)	26 469	223 854	250 323		250 323
Kazakhstan		373 499	373 499		373 499
Kyrgyzstan (1)	29 964	197 583	227 547		227 547
Liberia (1)	11 651	269 934	281 585		281 585
Madagascar (1)	29 964	17 631	47 595		47 595
Malawi (1)	29 964	41 828	71 792		71 792
Mali (1)	29 964	295 219	325 183		325 183
Mauritania (1)	29 964	315 593	345 557		345 557
Nicaragua (1)	29 964	104 901	134 865		134 865
Niger (1)	29 964	157 541	187 505		187 505
Paraguay (1)	29 964	76 087	106 051		106 051
Republic of Moldova		173 994	173 994		173 994
Rwanda (1)	29 964	112 498	142 462		142 462
Sao Tome and Principe (1)	29 964	336 051	366 015		366 015
Seychelles (1)	29 964	85 832	115 796		115 796
Sierra Leone (1)	29 964	274 815	304 779		304 779
Suriname (1)	29 964	125 448	155 412		155 412
Zambia (1)	29 964	104 706	134 670		134 670
<b>Total Group A</b>	<b>820 868</b>	<b>6 434 660</b>	<b>7 255 528</b>		<b>7 255 528</b>
<b><u>GROUP B (cf.note)</u></b>					
Afghanistan	29 964	259 765	289 729	459	290 188
Antigua and Barbuda	29 964	346 705	376 669	981	377 650
Armenia	29 964	68 070	98 034		98 034
Comoros	29 964	405 432	435 396	540	435 936
Democratic Republic of the Congo	29 964	226 891	256 855		256 855
Djibouti	29 964	399 014	428 978	1 080	430 058
Georgia	29 964	281 506	311 470	3 600	315 070
Guinea-Bissau	29 964	459 845	489 809	1 080	490 889
Iraq	49 940	1 037 061	1 087 001	2 400	1 089 401
Nauru	29 964	203 756	233 720		233 720
Solomon Islands	29 964	224 110	254 074		254 074
Somalia	29 964	417 222	447 186	1 080	448 266
<b>Total Group B</b>	<b>379 544</b>	<b>4 329 377</b>	<b>4 708 921</b>	<b>11 220</b>	<b>4 720 141</b>

**SCHEDULE B**  
(continued)

- 18 -

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
REGULAR PROGRAMME  
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES  
IN RESPECT OF ALL FINANCIAL YEARS AS AT 31 DECEMBER 2002

(in United States dollars)

Contracting States	General Fund			Working Capital Fund	Total Balances Receivable
	2002 (Schedule A)	Prior years	Total		
<b>GROUP C (cf.note)</b>					
Argentina	359 568	307 462	667 030		667 030
Israel	239 712	177 493	417 205		417 205
Kenya	29 964	13 270	43 234		43 234
Marshall Islands	29 964	57 913	87 877		87 877
Micronesia, Federated States of	29 964	29 492	59 456		59 456
Morocco	49 940	42 747	92 687	600	93 287
Myanmar	29 964	28 765	58 729		58 729
Saint Lucia	29 964	57 913	87 877		87 877
Senegal	29 964	44 888	74 852		74 852
Tonga	29 964	29 964	59 928		59 928
Uruguay	29 964	27 797	57 761		57 761
Uzbekistan	29 964	28 765	58 729		58 729
Venezuela	99 880	84 414	184 294	1 200	185 494
<b>Total Group C</b>	<b>1 018 776</b>	<b>930 883</b>	<b>1 949 659</b>	<b>1 800</b>	<b>1 951 459</b>
<b>GROUP D (cf.note)</b>					
Angola	29 964		29 964		29 964
Azerbaijan	29 964		29 964		29 964
Bangladesh	34 357		34 357		34 357
Belgium (2)				3 600	3 600
Belize	29 964		29 964		29 964
Cameroon	21 220		21 220		21 220
Cape Verde	29 964		29 964		29 964
China (2)				15 600	15 600
Colombia	102 671		102 671	3 600	106 271
Costa Rica	28 765		28 765		28 765
Democratic People's of Korea	29 964		29 964		29 964
Egypt	3 059		3 059		3 059
Fiji	732		732		732
Greece	4 200		4 200		4 200
Iran, Islamic Republic of	93 441		93 441	4 200	97 641
Jamaica	29 964		29 964		29 964
Kiribati	29 964		29 964		29 964
Lao People's Democratic Republic	28 765		28 765		28 765
Libyan Arab Jamahiriya	16 572		16 572		16 572
Malaysia (2)				7 200	7 200
Namibia	29 033		29 033		29 033
Nepal	29 964		29 964		29 964
Philippines	20 902		20 902		20 902
Poland (2)				4 200	4 200
Republic of Korea	29 400		29 400		29 400
Saint Kitts and Nevis	14 982		14 982	3 600	18 582
Saint Vincent and the Grenadines	29 664		29 664		29 664
South Africa (2)				4 200	4 200
Sudan	211		211		211
Switzerland (2)				1 200	1 200
Tajikistan	29 964		29 964		29 964
Thailand (2)				2 400	2 400
The former Yugoslav Republic of Macedonia	29 964		29 964		29 964
Turkey	600		600		600
United Arab Emirates	30 547		30 547	4 200	34 747
Vanuatu	29 964		29 964		29 964
<b>Total Group D</b>	<b>818 725</b>		<b>818 725</b>	<b>54 000</b>	<b>872 725</b>
former Socialist Federal Republic of Yugoslavia *		510 882	510 882		510 882
<b>TOTAL</b>	<b>3 037 913</b>	<b>12 205 802</b>	<b>15 243 715</b>	<b>67 020</b>	<b>15 310 735</b>

Note (1): States which had not met their obligations according to the terms of their agreements at 31 December 2002.

Note (2): Amounts pertaining to the Working Capital Fund reflect the adjustment for the 2002 - 2004 triennium effected on 01 July 2002.

Group A: These States have concluded agreements with the Council to liquidate their arrears over a period of years.

Group B: States with contributions in arrears of three full years or more which have not concluded agreements with the Council to liquidate their arrears.

Group C: States with contributions in arrears for less than three full years.

Group D: States with contributions outstanding only for the year 2002.

\* The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

REGULAR PROGRAMME GENERAL FUND  
CONTRIBUTIONS RECEIVED IN ADVANCE  
AS AT 31 DECEMBER 2002

(in United States dollars)

Australia	825 412
Bahamas	2 595
Brazil	210 684
Canada	1 137 458
Cyprus	1 018
Denmark	281 848
Finland	2 400
France	600
Germany	7 800
Honduras	3 369
Indonesia	10 200
Italy	6 350
Japan	47 400
Jordan	1 800
Kuwait	1 200
Mongolia	1 199
Netherlands, Kingdom of	600
New Zealand	600
Pakistan	1 200
Peru	990
Romania	600
Russian Federation	20 400
Saudi Arabia	600
Singapore	578 795
Slovakia	1 199
Spain	1 800
Sri Lanka	889
Sweden	3 000
Syrian Arab Republic	600
Ukraine	6 000
United Kingdom	12 600
Viet Nam	1 063
Yemen	1 199
	<hr/>
	<b>3 173 468</b>

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
SPECIAL ACCOUNTS/ FUNDS  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002  
(in United States dollars)

	Air Transport Cost Recovery Account	Conference and Other Facilities Fund	English Language Standard Project Account	Incentive for Settlement of Arrears	Information and Communication Technology (ICT) Fund	International Financial Facility for Aviation Safety(IFFAS)	Language Services Account	Electronic Publishing Account	Preparatory Commission of the International Registry	Special Public Information Projects Account	TOTAL	
											2002	2001
<b>INCOME AND EXPENDITURE</b>												
<b>Income</b>												
Contribution						222 709			38 915		261 624	370 174
Interest	1 216	9 010	3 206		51 062	3 435	634	755	329	30	69 677	20 393
Rental of facilities		382 189									382 189	325 036
Other	83 200						127 728	174 573		24 500	410 001	184 752
	<u>84 416</u>	<u>391 199</u>	<u>3 206</u>		<u>51 062</u>	<u>226 144</u>	<u>128 362</u>	<u>175 328</u>	<u>39 244</u>	<u>24 530</u>	<u>1 123 491</u>	<u>900 355</u>
<b>Expenditure</b>												
Salaries and common staff costs	27 892	194 807	77 557		203 899		39 937	13 445	19 908		577 445	271 092
General operating expenses		212 963			113 371		76 868				403 202	208 462
Travel			9 281		3 483		14 168	1 659	1 659		30 250	3 632
Equipment		65 246			285 681		5 610	5 394			361 931	48 678
Miscellaneous	48 410	4 812		57 633	18 727		281	13 736	319	1 634	145 552	112 842
	<u>76 302</u>	<u>477 828</u>	<u>86 838</u>	<u>57 633</u>	<u>625 161</u>		<u>136 864</u>	<u>34 234</u>	<u>21 886</u>	<u>1 634</u>	<u>1 518 380</u>	<u>644 706</u>
Excess (shortfall) of income over expenditure	<u>8 114</u>	<u>( 86 629)</u>	<u>( 83 632)</u>	<u>( 57 633)</u>	<u>( 574 099)</u>	<u>226 144</u>	<u>( 8 502)</u>	<u>141 094</u>	<u>17 358</u>	<u>22 896</u>	<u>( 394 889)</u>	<u>255 649</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>												
<b>Assets</b>												
Cash and term deposits	102 268	482 422	261 936		3 338 977	226 144	12 961	107 640	19 196	10 530	4 562 074	1 165 606
Accounts receivable	11 802	119 016					33 332				164 150	139 784
Due from other Funds	938	19 826		3 622 850	10 643		14 755	56 879		14 000	3 739 891	6 410 846
	<u>115 008</u>	<u>621 264</u>	<u>261 936</u>	<u>3 622 850</u>	<u>3 349 620</u>	<u>226 144</u>	<u>61 048</u>	<u>164 519</u>	<u>19 196</u>	<u>24 530</u>	<u>8 466 115</u>	<u>7 716 236</u>
<b>Liabilities</b>												
Due to other Funds	2 061	22 687	118 852		303 098		19 574	13 936	1 838		482 046	68 558
Accounts payable	24 100	121 339			10 839		3 964	1 293			161 535	
Unliquidated obligations	9 242	68 546			37 858		13 262	8 196		1 634	138 738	130 355
	<u>35 403</u>	<u>212 572</u>	<u>118 852</u>		<u>351 795</u>		<u>36 800</u>	<u>23 425</u>	<u>1 838</u>	<u>1 634</u>	<u>782 319</u>	<u>198 913</u>
<b>Balance of Funds</b>												
At beginning of year	71 501	495 321	226 716	3 118 780	3 571 924		33 081				7 517 323	1 488 301
Adjustment to prior year's income	( 10)						( 331)				( 341)	100 000
Transfers to/from other funds				561 703	( 57 633)						561 703	5 673 373
Excess (shortfall) of income over expenditure	<u>8 114</u>	<u>( 86 629)</u>	<u>( 83 632)</u>	<u>( 57 633)</u>	<u>( 574 099)</u>	<u>226 144</u>	<u>( 8 502)</u>	<u>141 094</u>	<u>17 358</u>	<u>22 896</u>	<u>( 394 889)</u>	<u>255 649</u>
At end of year	<u>79 605</u>	<u>408 692</u>	<u>143 084</u>	<u>3 622 850</u>	<u>2 997 825</u>	<u>226 144</u>	<u>24 248</u>	<u>141 094</u>	<u>17 358</u>	<u>22 896</u>	<u>7 683 796</u>	<u>7 517 323</u>
	<u>115 008</u>	<u>621 264</u>	<u>261 936</u>	<u>3 622 850</u>	<u>3 349 620</u>	<u>226 144</u>	<u>61 048</u>	<u>164 519</u>	<u>19 196</u>	<u>24 530</u>	<u>8 466 115</u>	<u>7 716 236</u>

INTERNATIONAL CIVIL AVIATION ORGANIZATION

JOINT FINANCING FUNDS  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002

( in United States dollars )

	Danish Joint Financing Agreement Fund	Icelandic Joint Financing Agreement Fund	TOTAL	
			2002	2001
<b>INCOME AND EXPENDITURE</b>				
<b>Income</b>				
User charge revenues	3 111 973	18 954 174	22 066 147	21 749 569
Assessments on contracting Governments	199 392	37 193	236 585	(3 676 591)
Interest	5 374	14 033	19 407	44 607
Exchange adjustments				90 727
	<u>3 316 739</u>	<u>19 005 400</u>	<u>22 322 139</u>	<u>18 208 312</u>
<b>Expenditure</b>				
Estimated service costs for current year	4 559 867	18 700 732	23 260 599	23 658 201
Settlement of service costs for prior year	190 238	(2 429 635)	(2 239 397)	( 73 049)
Other expenses	45 039	44 843	89 882	3 426
Exchange adjustments	8 429		8 429	
	<u>4 803 573</u>	<u>16 315 940</u>	<u>21 119 513</u>	<u>23 588 578</u>
Excess (shortfall) of income over expenditure	<u>(1 486 834)</u>	<u>2 689 460</u>	<u>1 202 626</u>	<u>(5 380 266)</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>				
<b>Assets</b>				
Cash	522 102	836 385	1 358 487	1 406 988
Due from other Funds	1 534	2 623	4 157	3 747
Assessments receivable (Schedule E.1)	998		998	300
Advances to servicing Governments		1 540 326	1 540 326	1 225 508
	<u>524 634</u>	<u>2 379 334</u>	<u>2 903 968</u>	<u>2 636 543</u>
<b>Liabilities</b>				
Credits to contracting Governments (Schedule E.1)	602 437	2 745 373	3 347 810	3 513 373
Due to servicing Governments	373 113		373 113	1 142 751
	<u>975 550</u>	<u>2 745 373</u>	<u>3 720 923</u>	<u>4 656 124</u>
<b>Balance of Funds</b>				
At beginning of year	1 035 918	(3 055 499)	(2 019 581)	3 360 685
Excess (shortfall) of income over expenditure	(1 486 834)	2 689 460	1 202 626	(5 380 266)
	<u>( 450 916)</u>	<u>( 366 039)</u>	<u>( 816 955)</u>	<u>(2 019 581)</u>
	<u>524 634</u>	<u>2 379 334</u>	<u>2 903 968</u>	<u>2 636 543</u>

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS  
IN RESPECT OF DANISH JOINT FINANCING AGREEMENT  
FOR THE PERIOD ENDING 31 DECEMBER 2002**

SCHEDULE E:1

( in Danish Kroner )

	Balances at beginning of period Receivable/(Credits)	Assessments for 2002	Contributions received	Transfer from Icelandic Joint Financing Agreement	Balances at end of period Receivable	Credits
Belgium	( 17 757)	48 200		30 443		
Canada	( 547 710)	93 145				454 565
Cuba	2 504	(7 546)				5 042
Denmark	( 40 111)	11 596				28 515
Egypt	( 9 567)	(1 020)				10 587
Finland	( 27 716)	(6 301)				34 017
France	( 288 633)	183 811				104 822
Germany	( 489 504)	160 841				328 663
Greece	( 57 606)	10 994				46 612
Iceland	( 114 462)	40 221				74 241
Ireland	( 73 725)	47 693				26 032
Italy	( 96 293)	91 223				5 070
Japan	( 82 886)	6 308				76 578
Kuwait	( 19 537)	( 169)				19 706
Netherlands		(3 253)				3 253
Norway	( 20 817)	6 575				14 242
Russian Federation	( 85 048)	(16 644)				101 692
Slovakia		42	42			
Spain	( 34 290)	32 510				1 780
Sweden	( 50 212)	15 205				35 007
Switzerland	( 116 870)	124 354			7 484	
United Kingdom	(1 188 122)	109 652				1 078 470
United States	(2 708 106)	638 726				2 069 380
	<u>(6 066 468)</u>	<u>1 586 163</u>	<u>42</u>	<u>30 443</u>	<u>7 484</u>	<u>4 518 274</u>
Equivalent in U.S. dollars	<u>( 726 523)</u>	<u>199 392</u>	<u>102</u>	<u>74 206</u>	<u>998</u>	<u>602 437</u>

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS  
IN RESPECT OF ICELANDIC JOINT FINANCING AGREEMENT  
FOR THE PERIOD ENDING 31 DECEMBER 2002**

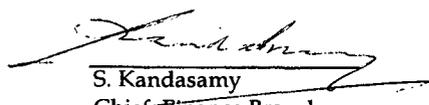
( in United States dollars )

	Balances at beginning of period Receivable/(Credits)	Assessments for 2002	Contributions received	Transfer to Danish Joint Financing Agreement	Balances at end of period Receivable	Credits
Belgium	( 22 669)	2 582		3 987		( 16 100)
Canada	( 243 357)	( 231)				( 243 588)
Cuba	( 3 502)	( 819)				( 4 321)
Denmark	( 17 085)	248				( 16 837)
Egypt	( 5 457)	( 312)				( 5 769)
Finland	( 19 876)	( 1 022)				( 20 898)
France	( 139 899)	11 535				( 128 364)
Germany	( 220 174)	6 922				( 213 252)
Greece	( 23 818)	646				( 23 172)
Iceland	( 53 037)	1 583				( 51 454)
Ireland	( 35 617)	2 999				( 32 618)
Italy	( 50 888)	6 483				( 44 405)
Japan	( 24 080)	29				( 24 051)
Kuwait	( 8 095)	( 287)				( 8 382)
Netherlands		( 5 664)				( 5 664)
Norway	( 15 970)	64				( 15 906)
Russian Federation	( 35 761)	( 2 833)				( 38 594)
Slovakia		3	3			
Spain	( 23 331)	2 354				( 20 977)
Sweden	( 29 304)	583				( 28 721)
Switzerland	( 64 939)	8 506				( 56 433)
United Kingdom	( 512 439)	( 8 127)				( 520 566)
United States	(1 237 252)	11 951				(1 225 301)
	<u>(2 786 550)</u>	<u>37 193</u>	<u>3</u>	<u>3 987</u>		<u>(2 745 373)</u>

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME  
SCHEDULE OF THE STATUS OF FUNDS  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

	<u>2002</u>	<u>2001</u>
<b>OPERATING FUND</b>		
Fund balance at beginning of year	(30 620 848)	(11 642 521)
Add:		
Cash drawings from UNDP	24 200 000	23 460 000
Inter-office vouchers, on hand	11 302 092	13 546 452
Other charges/credits (net)	(6 780 720)	( 168 270)
Miscellaneous income and exchange adjustments	102 046	26 832
Miscellaneous items charged/refunded to UNDP	4 638	348
	<u>28 828 056</u>	<u>36 865 362</u>
	<u>(1 792 792)</u>	<u>25 222 841</u>
Deduct:		
Expenditure during the year (Schedule F.1)		
For projects		
Disbursements	13 735 196	24 014 499
Unliquidated obligations	5 602 296	28 570 154
Support costs	1 215 421	3 075 761
	<u>20 552 913</u>	<u>55 660 414</u>
Support Services for Policy and Programme Development	252 763	177 834
Support for Technical Services at the project Level		5 441
	<u>20 805 676</u>	<u>55 843 689</u>
Total expenditure (Statement I)	<u>(22 598 468)</u>	<u>(30 620 848)</u>
Fund balance at end of year	<u>(22 598 468)</u>	<u>(30 620 848)</u>
<b>REPRESENTED BY:</b>		
Cash in banks, on hand and in transit	276 143	227 528
Due from other Funds	2 543 672	2 295 381
Accounts receivable and sundry debit balances	7 961 658	2 614 028
	<u>10 781 473</u>	<u>5 136 937</u>
Less:		
Due to other Funds	15 526	107 504
Accounts payable and sundry credits balances	27 762 119	7 080 127
Unliquidated obligations - current year	5 602 296	28 570 154
	<u>33 379 941</u>	<u>35 757 785</u>
Fund balance at end of year	<u>(22 598 468)</u>	<u>(30 620 848)</u>
Certified:	Approved:	
		
S. Kandasamy Chief, Finance Branch	R.C. Costa Pereira Secretary General	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME  
EXPENDITURE BY COUNTRY AND REGION  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

<u>COUNTRY</u>	
Bahrain	2 364
Botswana	1 665
* Colombia	5 023 846
Democratic Republic of Congo	(960)
Ecuador	9 429 052
Ethiopia	50 918
Indonesia	506 448
Iran, Islamic Republic of	11 113
Lebanon	381 114
Libyan Arab Jamahiriya	76 866
Peru	54 048
Republic of Korea	11 956
Somalia	2 684 633
Venezuela	3 172
	<hr/>
Country Total	18 236 235
<u>REGION</u>	
Latin American and the Caribbean	1 101 257
	<hr/>
<b>SUB-TOTAL</b>	19 337 492
<b>Support costs</b>	1 215 421
	<hr/>
<b>GRAND TOTAL</b>	<b>20 552 913</b>
	<hr/> <hr/>

\* The amount does not reflect additional expenditure of approximately \$1.3 million relating to Government counterpart expenditure, which ICAO, as the implementing agency, is required to report in accordance with UNDP rules and guidelines. The amount was not recorded because clarifications sought from the UNDP office in Colombia have not been received.

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

Fund	Balance as at 01.01.2002	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2002
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGANISTAN (DFID) MSA*		284 518	1 472	269 543	18 867			( 2 420)
AFGANISTAN MSA* (Note 5 - TF, MSA)					87 000			( 87 000)
ARGENTINA MSA *	25 457	769 793	392	721 177	67 884			6 581
ARGENTINA (DA)		58 276						58 276
BAHAMAS (DCA)	70 242		1 153					71 395
BANGLADESH	14 890		244	500	65			14 569
BARBADOS	297 468		4 347	94 406	12 273	2 514		197 650
BELGIUM (ASSOCIATE EXPERTS SCHEME)	117 524		1 406	62 584	7 510			48 836
BOLIVIA	556 517	1 771 453	6 524	1 506 028	134 825	( 179 542)	( 322 939)	191 160
BOSNIA AND HERZEGOVINA	844 592		14 393	482 356	23 164			353 465
BRAZIL (CART) MSA *	471 537		20 849	493	( 1 124)	46 050		539 067
BRAZIL (SSA) MSA *	( 118 117)		8 775	( 57 358)	( 6 199)	169 333		123 548
BRAZIL (DAC) MSA *	64 724	6 405 257	170 243	5 032 292	145 444	( 884 018)		578 470
BRAZIL (DEPV) MSA *	641 821	4 633 116	306 834	3 000 381	68 324	( 601 444)		1 911 622
BRAZIL (ITCM) MSA *	68 529		35 924	1 392 351	18 094	1 264 079		( 41 913)
BRAZIL (DONP)						6 000		6 000
CHINA	50 493		841	10 398	1 352			39 584
COCESNA	173 439		1 123	150 110	15 318			9 134
COMMISSION OF THE EUROPEAN COMMUNITIES	12 787		210					12 997
COSCAP (SA) EC GRA MSA*	216 109	77 482	3 276	105 604	10 561			180 702
COSCAP (SEA) EC GRA MSA*	91 315		1 199	61 993	6 199			24 322
COSTA RICA		31 990	38	17 144	1 714			13 170
CZECH REPUBLIC MSA *	26 400	48 387	16 874	51 401	2 570			37 690
DOMINICAN REPUBLIC MSA *	995 234	15 800	4 533	507 207	79 463			428 897
EL SALVADOR	10 233	11 390	178	9 494	1 234			11 073
EQUATORIAL GUINEA MSA*		29 500	226					29 726
FIJI MSA*		43 590	272	25 175	2 517			16 170
GHANA MSA*		17 475	39	3 000	300			14 214
GREECE MSA *	772 579	790 790	12 228	587 928	64 671			922 998
GUYANA (EC)		10 687	138	9 900				925
GUYANA (GTV)	9 210	11 980	207	3 498	1 340			16 559
GUATEMALA MSA *	279 632	164 412	4 946	143 153	14 668			291 169
HAITI	44 606	67 770	518	60 000	7 800			45 094
INDIA MSA*	152 885		1 995	55 866	5 587			93 427
INDONESIA MSA *	17 855		318	10 604	1 379			6 190
IRAQ	39 020							39 020
ITALY (ASSOCIATE EXPERTS SCHEME)	45 469	90 847	850	74 250	3 712			59 204
LAOS PEOPLES DEMOCRATIC REPUBLIC MSA*		62 390	589	39 627	5 152			18 200
LATVIA	39 717		661	5 221	678			34 479
LEBANON MSA *	670 236	54 285	11 296			2 938	( 245 200)	493 555
LESOTHO	20 184		332					20 516
LESOTHO (CAD)	95 310		1 565					96 875
LIBERIA MSA*		19 100	507					19 607
MACAU	72 709	74 429	2 528	38 671	5 026			105 969
MALDIVES	17 440		416	( 5 909)	( 590)			24 355
MEXICO MSA*		18 900	5	18 000	900			5
MONGOLIA	15 474		255					15 729
MONGOLIA MSA*	14 022		70				( 14 092)	
MOROCCO (ONDA)	78 387		1 242	58	8			79 563
NIGERIA MSA*			41	30 386	3 039	45 000		11 616

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS  
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

Fund	Balance as at 01.01.2002	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2002
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
NIGERIA (FAAN) MSA *	174 329		2 916	2 276	296			174 673
NIGERIA (NAMA) MSA *	300 320		4 678	39 684	5 159	60 000		320 155
NIGERIA (NCAT)	13 636		219					13 855
NORWAY (ASSOCIATE EXPERTS SCHEME)	22 474		322	( 3 656)	( 439)			26 891
OMAN	279 260	693 480	12 187	518 273	51 826			414 828
PANAMA (CAD) MSA *	( 30 222)			486				( 30 708)
PANAMA (DGAC) MSA *	237 443	664 346	2 019	509 393	47 099		( 91 709)	255 607
PERU (CORPAC)	13 556		160			( 13 716)		
PERU MSA*		3 464 188	233	3 615 602	298 343	906 714		457 190
PERU (DGT A) MSA*	882 651			( 64 564)	( 6 438)	( 953 653)		
PERU (MEE) MSA*	24 977	234 178	310	225 300	27 509	60 655		67 311
PHILIPPINES	159 131	353 742	4 180	149 033	19 374			348 646
PHILIPPINES MSA *	( 351)	35 430	328	10 898	1 417			23 092
PHILIPPINES (DAVAO) MSA *	15 656	15 357	408	3 715	483			27 223
PHILIPPINES (TRAINAIR) MSA *	45 074	170 338	1 970	109 399	14 222			93 761
QATAR MSA*		78 790	381	62 570	6 257			10 344
QATAR (CAAQ) MSA*		23 100	33	13 790	1 379			7 964
REGIONAL (ASIA)		239 945	41					239 986
REGIONAL (AFRICA) MSA*	262 967		3 674	62 935	6 293	( 2 389)		195 024
REGIONAL (UN) MSA*		31 645		28 777	2 878			( 10)
REGIONAL (LATIN AMERICA)	371 069	219 402	7 064	188 420	24 494	179 542		564 163
REGIONAL (ASECNA) MSA*	25 252		323	( 610)	( 61)		( 26 246)	
REGIONAL (BOEING)	91 567	59 990	1 647	69 234	6 923			77 047
REGIONAL (BOEING) MSA*		50 000	236					50 236
REGIONAL (DPKO)	250 225		2 856	254 413	25 441	129 809		103 036
REGIONAL (DPKO) MSA *	128 811		998			( 129 809)		
REGIONAL (SOUTH ASIA) (COSCAP)	426 071	316 722	8 342	339 822	44 177			367 136
REGIONAL (SOUTH EAST ASIA) (COSCAP)	372 257	254 940	5 138	248 729	32 323	4 800		356 083
REGIONAL (SOUTH AMERICA)	13 520		222					13 742
REGIONAL (UEMOA)	45 806		649	23 393	3 002			20 060
REGIONAL (WFP) MSA *	28 373	54 990	1 126					84 489
SAUDI ARABIA	225 127			1 854 251	27 809	1 760 000		103 067
SAUDI ARABIA MSA *	8 775 577	5 066 667	640 387	3 482 379	348 238	( 1 760 000)		8 892 014
SINGAPORE	71 683	299 535	2 563	206 980	20 699			146 102
SOMALIA	1 034	2 801 344	6 595				( 2 807 015)	1 958
SRI LANKA	402 398		6 101	95 634	12 372		( 439)	300 054
SUDAN	25 417		417					25 834
SYRIAN ARAB REPUBLIC MSA *	233 766	361 590	4 143	274 610	27 461	( 182 632)		114 796
THAILAND (MTC)	93 945		1 530	8 622	1 121			85 732
THAILAND MSA*		148 300		106 994	10 699			30 607
UGANDA	36 858		820	( 12 224)	( 1 589)			51 491
UNITED ARAB EMIRATES MSA *	176 973	429 821	8 057	369 542	36 954			208 355
UNITED REP. OF TANZANIA MSA*		143 380	856	121 598	12 160			10 478
VIETNAM	12 415		204					12 619
VIETNAM MSA *	211 812		2 364	142 415	14 240		( 15 666)	41 855
YEMEN	14 831		244					15 075
LUMP-SUM CONTRACTS (Note 6- TF, MSA)		272 922	671	257 772	25 778			( 9 957)
OTHER TRUST FUNDS **	105 951	6 990	1 902	12 984	1 663	( 7 863)	( 1 603)	90 730
<b>TOTAL</b>	<b>21 557 568</b>	<b>32 054 749</b>	<b>1 381 586</b>	<b>27 846 401</b>	<b>1 960 287</b>	<b>( 77 632)</b>	<b>( 3 524 909)</b>	<b>21 584 674</b>

\* Management Service Agreements

\*\* Summary of forty Funds with either year end balances or transactions during the year of less than ten thousands dollars.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**CIVIL AVIATION PURCHASING SERVICE FUNDS**  
**SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2002**  
(in United States dollars)

Fund	Balance as at 01.01.2002	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2002
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGHANISTAN	269 971		2 664	70 910	6 509		( 150 000)	45 216
AUSTRIA		85 198	165	42 677	2 554			40 132
BANGLADESH	208 801		3 429	500	50			211 680
BRAZIL	1 431	3 111 711	1 580	3 083 909	31 108			( 295)
CAPE VERDE	169 529		4 815	24 252	1 454			148 638
CUBA	48 713		791	18 463	1 558			29 483
DEMOCRATIC PEOPLES REPUBLIC OF KOREA	59 100	351 170	4 004	1 379	176		( 210 000)	202 719
EGYPT	34 820		672	( 5 866)	( 587)			41 945
INDIA	16 217	94 790	185	90 221	3 611			17 360
LESOTHO	139 566		2 292					141 858
LIBYAN ARAB JAMAHIRIYA (CAD)	23 461		287	16	2		( 7 900)	15 830
LIBYAN ARAB JAMAHIRIYA (CAHI)	27 613		454	626	83			27 358
LIBYAN ARAB JAMAHIRIYA (LAA)	24 539		403					24 942
MALDIVES	5 076		83					5 159
MOZAMBIQUE	38 868		580	3 847	231			35 370
MYANMAR	1 079 962		17 337	239 423	13 546			844 330
NIGERIA (NAMA)	142 489		2 080			( 105 000)		39 569
PAKISTAN	19 271		317					19 588
PERU		185 488	935	122 992	7 010			56 421
SIERRA LEONE	14 864		244					15 108
SURINAME	21 650		428					22 078
SYRIAN ARAB REPUBLIC	980 765	2 789 005	53 439	3 300 925	133 594	182 632		571 322
TRINIDAD AND TOBAGO		1 477 754	7 150	1 363 110	55 426			66 368
UGANDA	7 031		116	550	55			6 542
UNITED REPUBLIC OF TANZANIA	12 476		256					12 732
VIETNAM	( 166 822)		47	1 618 799			( 39 717)	(1 825 291)
YEMEN	30 347		499					30 846
OTHER CAPS FUNDS *	5 534		145	54				5 625
<b>TOTAL</b>	<b>3 215 272</b>	<b>8 095 116</b>	<b>105 397</b>	<b>9 976 787</b>	<b>256 380</b>	<b>77 632</b>	<b>( 407 617)</b>	<b>852 633</b>

\* Summary of six Funds with either year end balances or transactions during the year of less than five thousands dollars.

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**  
**AVIATION SECURITY TRUST FUND**  
**SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES**  
**FOR THE PERIOD ENDING 31 DECEMBER 2002**

(in United States dollars)

	AVIATION SECURITY PLAN OF ACTION							OTHER EARMARKED AVSEC FUNDS			TOTAL		
	ENHANCED MECHANISM	FRANCE PROTOCOLE EXPERT	NETHERLANDS	UNITED KINGDOM	UNITED STATES	EARMARKED TRAINING PROGRAMME	GENERAL	SUB-TOTAL	FRANCE PROTOCOLE COOPERATION	STANDARDIZED TRAINING PROGRAMME	NATIONAL & UGANDA PROGRAMME	2002	2001
<b>INCOME AND EXPENDITURE</b>													
<b>Income</b>													
Contributions	3 137 151	99 890	44 092	93 837	235 624		199 990	3 810 584				3 810 584	948 490
Interest	10 470	292	1 303	1 018	( 501)	10 524	11 668	34 774	2 394	8 522	3 552	49 242	80 694
Other	250 000							250 000		23 290		273 290	38 675
	<u>3 397 621</u>	<u>100 182</u>	<u>45 395</u>	<u>94 855</u>	<u>235 123</u>	<u>10 524</u>	<u>211 658</u>	<u>4 095 358</u>	<u>2 394</u>	<u>31 812</u>	<u>3 552</u>	<u>4 133 116</u>	<u>1 067 859</u>
<b>Expenditure</b>													
Salaries and common staff costs	230 214	98 260	42 177	86 948	176 829	49 514	51 362	735 304				735 304	417 399
Travel on official business	101 842					39 550	80 550	221 942	190 720	2 599	872	416 133	217 361
Equipment	10 227							10 227				10 227	
Miscellaneous	( 987)					79 123	3 017	81 153	14 607			95 760	33 624
	<u>341 296</u>	<u>98 260</u>	<u>42 177</u>	<u>86 948</u>	<u>176 829</u>	<u>168 187</u>	<u>134 929</u>	<u>1 048 626</u>	<u>205 327</u>	<u>2 599</u>	<u>872</u>	<u>1 257 424</u>	<u>668 384</u>
Excess (shortfall) of income over expenditure	<u>3 056 325</u>	<u>1 922</u>	<u>3 218</u>	<u>7 907</u>	<u>58 294</u>	<u>( 157 663)</u>	<u>76 729</u>	<u>3 046 732</u>	<u>( 202 933)</u>	<u>29 213</u>	<u>2 680</u>	<u>2 875 692</u>	<u>399 475</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>													
<b>Assets</b>													
Cash and term deposits	2 108 943	45 049	57 194	37 683		550 773	604 522	3 404 164	14 840	525 019	192 785	4 136 808	2 340 800
Due from other Funds	1 600 409				107 559			1 707 968	31 552			1 739 520	45 700
Accounts receivable					127 532			127 532				127 532	
	<u>3 709 352</u>	<u>45 049</u>	<u>57 194</u>	<u>37 683</u>	<u>235 091</u>	<u>550 773</u>	<u>604 522</u>	<u>5 239 664</u>	<u>46 392</u>	<u>525 019</u>	<u>192 785</u>	<u>6 003 860</u>	<u>2 386 500</u>
<b>Liabilities</b>													
Due to other Funds	13 922	12 717	3 850	7 706	16 228	1 619	486 089	542 131				542 131	82 215
Contributions paid in advance	19 766							19 766				19 766	
Accounts payable	1 269				111 734			113 003				113 003	2 467
Unliquidated obligations	148 070					6 521	4 444	159 035	4 708			163 743	12 294
	<u>183 027</u>	<u>12 717</u>	<u>3 850</u>	<u>7 706</u>	<u>127 962</u>	<u>8 140</u>	<u>490 533</u>	<u>833 935</u>	<u>4 708</u>			<u>838 643</u>	<u>96 976</u>
<b>Balance of Funds</b>													
At beginning of year		30 410	50 126	22 070	48 835	700 296	507 260	1 358 997	244 617	495 806	190 105	2 289 525	1 890 049
Transfer from or to other funds	470 000						( 470 000)						
Excess (shortfall) of income over expenditure	<u>3 056 325</u>	<u>1 922</u>	<u>3 218</u>	<u>7 907</u>	<u>58 294</u>	<u>( 157 663)</u>	<u>76 729</u>	<u>3 046 732</u>	<u>( 202 933)</u>	<u>29 213</u>	<u>2 680</u>	<u>2 875 692</u>	<u>399 475</u>
At end of year	<u>3 526 325</u>	<u>32 332</u>	<u>53 344</u>	<u>29 977</u>	<u>107 129</u>	<u>542 633</u>	<u>113 989</u>	<u>4 405 729</u>	<u>41 684</u>	<u>525 019</u>	<u>192 785</u>	<u>5 165 217</u>	<u>2 289 524</u>
	<u>3 709 352</u>	<u>45 049</u>	<u>57 194</u>	<u>37 683</u>	<u>235 091</u>	<u>550 773</u>	<u>604 522</u>	<u>5 239 664</u>	<u>46 392</u>	<u>525 019</u>	<u>192 785</u>	<u>6 003 860</u>	<u>2 386 500</u>

INTERNATIONAL CIVIL AVIATION ORGANIZATION  
 ICAO UNIVERSAL SAFETY OVERSIGHT AUDIT PROGRAMME FUND  
 SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
 FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

	FRANCE	GERMANY	UNITED STATES	GENERAL	TOTAL	
					2002	2001
<b>INCOME AND EXPENDITURE</b>						
<b>Income</b>						
Contributions			18 568		18 568	90 080
Interest	171	1 452		292	1 915	4 527
	<u>171</u>	<u>1 452</u>	<u>18 568</u>	<u>292</u>	<u>20 483</u>	<u>94 607</u>
<b>Expenditure</b>						
Salaries and common staff costs			16 134		16 134	104 379
Travel on official business						
Equipment			161		161	
Miscellaneous						
			<u>16 295</u>		<u>16 295</u>	<u>104 379</u>
Excess (shortfall) of income over expenditure	<u>171</u>	<u>1 452</u>	<u>2 273</u>	<u>292</u>	<u>4 188</u>	<u>( 9 772)</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>						
<b>Assets</b>						
Cash and term deposits	10 594	89 879		18 032	118 505	129 166
Due from other Funds			18 568		18 568	
Accounts receivable						
	<u>10 594</u>	<u>89 879</u>	<u>18 568</u>	<u>18 032</u>	<u>137 073</u>	<u>129 166</u>
<b>Liabilities</b>						
Due to other Funds						8 892
Accounts payable			16 843		16 843	
Unliquidated obligations						4 232
			<u>16 843</u>		<u>16 843</u>	<u>13 124</u>
<b>Balance of Funds</b>						
At beginning of year	10 423	88 427	( 548)	17 740	116 042	125 814
Excess (shortfall) of income over expenditure	<u>171</u>	<u>1 452</u>	<u>2 273</u>	<u>292</u>	<u>4 188</u>	<u>( 9 772)</u>
At end of year	<u>10 594</u>	<u>89 879</u>	<u>1 725</u>	<u>18 032</u>	<u>120 230</u>	<u>116 042</u>
	<u>10 594</u>	<u>89 879</u>	<u>18 568</u>	<u>18 032</u>	<u>137 073</u>	<u>129 166</u>

INTERNATIONAL CIVIL AVIATION ORGANIZATION

ICAO OBJECTIVES IMPLEMENTATION MECHANISM FUND  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

	SPAIN					TOTAL	
	Aeronautical Technical Training (A16-7)	Technical Co-operation Fellowships (AECI)	Technical Co-operation Officer (AECI)	Trainair (AECI)	Technical Co-operation Training (AENA)	2002	2001
<b>INCOME AND EXPENDITURE</b>							
<b>Income</b>							
Contributions					34 990	34 990	49 990
Interest	165	135	338	469	1 014	2 121	9 532
	<u>165</u>	<u>135</u>	<u>338</u>	<u>469</u>	<u>36 004</u>	<u>37 111</u>	<u>59 522</u>
<b>Expenditure</b>							
Salaries and common staff costs			3 402		14 527	17 929	13 560
Personnel costs (experts)		7 179	3 544			10 723	62 321
Training				6 241	31 092	37 333	39 735
Equipment			20 420	6 798	1 500	28 718	11 885
Administrative overhead		933	3 558	1 699	3 312	9 502	15 469
Miscellaneous				72	193	265	1 838
		<u>8 112</u>	<u>30 924</u>	<u>14 810</u>	<u>50 624</u>	<u>104 470</u>	<u>144 808</u>
Excess (shortfall) of income over expenditure	<u>165</u>	<u>( 7 977)</u>	<u>( 30 586)</u>	<u>( 14 341)</u>	<u>( 14 620)</u>	<u>( 67 359)</u>	<u>( 85 286)</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>							
<b>Assets</b>							
Cash and term deposits	10 199	8 382	17 550	16 582	79 144	131 857	127 188
Due from other Funds							407
Accounts receivable					2 483	2 483	9 225
	<u>10 199</u>	<u>8 382</u>	<u>17 550</u>	<u>16 582</u>	<u>81 627</u>	<u>134 340</u>	<u>136 820</u>
<b>Liabilities</b>							
Due to other Funds		8 112	11 167	1 878	32 455	53 612	8 730
Accounts payable			369	9 942	21 232	31 543	30 663
Unliquidated obligations			8 959	1 308	13 680	23 947	4 830
		<u>8 112</u>	<u>20 495</u>	<u>13 128</u>	<u>67 367</u>	<u>109 102</u>	<u>44 223</u>
<b>Balance of Funds</b>							
At beginning of year	10 034	8 247	27 641	17 795	28 880	92 597	177 883
Excess (shortfall) of income over expenditure	<u>165</u>	<u>( 7 977)</u>	<u>( 30 586)</u>	<u>( 14 341)</u>	<u>( 14 620)</u>	<u>( 67 359)</u>	<u>( 85 286)</u>
At end of year	<u>10 199</u>	<u>270</u>	<u>( 2 945)</u>	<u>3 454</u>	<u>14 260</u>	<u>25 238</u>	<u>92 597</u>
	<u>10 199</u>	<u>8 382</u>	<u>17 550</u>	<u>16 582</u>	<u>81 627</u>	<u>134 340</u>	<u>136 820</u>

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

## OTHER FUNDS

SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

	Administrative Fee for Joint Financing Agreements	Arabic Language Services Fund	Chinese Language Services Fund	Edward Warner Award Fund	France Associate Experts Scheme	Germany Associate Experts Scheme
<b>INCOME AND EXPENDITURE</b>						
<b>Income</b>						
User charge/ administrative fee revenues	381 922					
Contributions					74 010	
Interest	5 783	1 673	1 740	135	794	370
	<u>387 705</u>	<u>1 673</u>	<u>1 740</u>	<u>135</u>	<u>74 804</u>	<u>370</u>
<b>Expenditure</b>						
Estimated service costs for current year						
Settlement of service costs for prior year					73 001	15 284
Salaries and common staff costs	226 953	23 043			23 840	
Travel on official business	14 968	1 355				
Equipment					11 670	1 850
Administrative overhead				3 289	408	130
Miscellaneous	180 106					
	<u>422 027</u>	<u>24 398</u>	<u>1 740</u>	<u>3 289</u>	<u>108 919</u>	<u>17 264</u>
Excess (shortfall) of income over expenditure	<u>( 34 322)</u>	<u>( 22 725)</u>	<u>1 740</u>	<u>( 3 154)</u>	<u>( 34 115)</u>	<u>( 16 894)</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>						
<b>Assets</b>						
Cash and term deposits	288 888	84 355	107 699	5 987	12 193	17 282
Due from other Funds	17 918				74 010	
	<u>306 806</u>	<u>84 355</u>	<u>107 699</u>	<u>5 987</u>	<u>86 203</u>	<u>17 282</u>
<b>Liabilities</b>						
Due to other Funds	153 866	1 355			36 529	1 952
Credits to servicing Governments						39
Unliquidated obligations	35 236					
	<u>189 102</u>	<u>1 355</u>	<u>1 740</u>	<u>( 3 154)</u>	<u>36 529</u>	<u>1 991</u>
<b>Balance of Funds</b>						
At beginning of year	152 026	105 725	105 959	9 141	83 789	32 185
Refund of contributions						
Excess (shortfall) of income over expenditure	<u>( 34 322)</u>	<u>( 22 725)</u>	<u>1 740</u>	<u>( 3 154)</u>	<u>( 34 115)</u>	<u>( 16 894)</u>
At end of year	<u>117 704</u>	<u>83 000</u>	<u>107 699</u>	<u>5 987</u>	<u>49 674</u>	<u>15 291</u>
	<u>306 806</u>	<u>84 355</u>	<u>107 699</u>	<u>5 987</u>	<u>86 203</u>	<u>17 282</u>

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER FUNDS  
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES  
FOR THE PERIOD ENDING 31 DECEMBER 2002

(in United States dollars)

	ICAO ANC Laurel Award Fund	Japan Junior Professional Officers Fund	Netherlands Associate Experts Scheme	North Atlantic Height Monitoring System Fund	Republic of Korea Junior Professional Officers Fund	TOTAL	
						2002	2001
<b>INCOME AND EXPENDITURE</b>							
<b>Income</b>							
User charge/ administrative fee revenues				2 521 434		2 903 356	2 769 624
Contributions		78 527	87 320		99 596	339 453	530 623
Interest	57	6 531	845	45 706	182	63 816	178 151
	<u>57</u>	<u>85 058</u>	<u>88 165</u>	<u>2 567 140</u>	<u>99 778</u>	<u>3 306 625</u>	<u>3 478 398</u>
<b>Expenditure</b>							
Estimated service costs for current year				2 541 983		2 541 983	2 803 945
Settlement of service costs for prior year				( 60 006)		( 60 006)	( 63 005)
Salaries and common staff costs		112 481	47 361		77 024	575 147	559 208
Travel on official business		5 523	5 766			51 452	33 235
Equipment							
Administrative overhead		14 309	6 966		9 294	44 089	43 457
Miscellaneous	( 22)	1 240	4 921	38	455	190 565	177 946
	<u>( 22)</u>	<u>133 553</u>	<u>65 014</u>	<u>2 482 015</u>	<u>86 773</u>	<u>3 343 230</u>	<u>3 554 786</u>
Excess (shortfall) of income over expenditure	<u>79</u>	<u>( 48 495)</u>	<u>23 151</u>	<u>85 125</u>	<u>13 005</u>	<u>( 36 605)</u>	<u>( 76 388)</u>
<b>ASSETS, LIABILITIES AND FUND BALANCES</b>							
<b>Assets</b>							
Cash and term deposits	2 580	375 112	37 344	3 116 947	22 244	4 070 631	4 061 700
Due from other Funds				6 368	3 851	102 147	84 155
	<u>2 580</u>	<u>375 112</u>	<u>37 344</u>	<u>3 123 315</u>	<u>26 095</u>	<u>4 172 778</u>	<u>4 145 855</u>
<b>Liabilities</b>							
Due to other Funds		28 880	14 193		16 481	253 256	212 242
Credits to servicing Governments				28 796		28 796	5 360
Unliquidated obligations		1 757			2 552	39 584	40 506
		<u>30 637</u>	<u>14 193</u>	<u>28 796</u>	<u>19 033</u>	<u>321 636</u>	<u>258 108</u>
<b>Balance of Funds</b>							
At beginning of year	2 501	392 970		3 009 394	( 5 943)	3 887 747	4 022 882
Refund of contributions							( 58 747)
Excess (shortfall) of income over expenditure	<u>79</u>	<u>( 48 495)</u>	<u>23 151</u>	<u>85 125</u>	<u>13 005</u>	<u>( 36 605)</u>	<u>( 76 388)</u>
At end of year	<u>2 580</u>	<u>344 475</u>	<u>23 151</u>	<u>3 094 519</u>	<u>7 062</u>	<u>3 851 142</u>	<u>3 887 747</u>
	<u>2 580</u>	<u>375 112</u>	<u>37 344</u>	<u>3 123 315</u>	<u>26 095</u>	<u>4 172 778</u>	<u>4 145 855</u>

## INTERNATIONAL CIVIL AVIATION ORGANIZATION

### NOTES TO THE FINANCIAL STATEMENTS

#### ALL FUNDS OF THE ORGANIZATION

##### 1. The Organization

The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations system. Its aims and objectives are to develop the principles and techniques of international air navigation and to foster the planning and development of international air transport.

##### 1.1 Purpose and Financing of Funds

Funds are established as the Assembly or the Council may determine from time to time and are administered in accordance with the Financial Regulations of the Organization unless otherwise provided.

#### 2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - ALL FUNDS

##### a) Financial Statement Presentation

The financial statements are presented in United States (U.S.) dollars and are in accordance with the provisions of the ICAO Financial Regulations. Unless otherwise indicated, the financial statements are presented in compliance with the United Nations System Accounting Standards (UNSAS) which provide a framework for accounting and financial reporting in the United Nations system.

The results of the ICAO operations presented in Statements I and II are shown at a summary level by general type of activity as well as on a combined basis after the elimination of all interfund balances and administrative overhead charges. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since resources of one fund may not be utilized for the purposes of another fund.

ICAO Funds comprise the General Fund, the Working Capital Fund, the Administrative and Operational Services Cost Fund (AOSCF) and Special Accounts/Funds. For presentation purposes, the General Fund and the Working Capital Fund of the Regular Programme are combined in Statements I through III.

##### b) Income Recognition

Income is recorded on an accrual basis except for sales of publications, user charges and contributions received for Trust Funds and Management Service Agreements, Civil Aviation Purchasing Services Funds, Aviation Security Trust Fund, ICAO Universal Safety Oversight Audit Programme Fund, and Other Funds which are recorded on a cash basis, except for amounts billed in accordance with agreements. Except for the sales of publications and user charges, this is in line with the UNSAS.

##### c) Expenditure Recognition

Expenditure includes amounts for goods supplied and services rendered in the financial period as well as amounts for legal obligations of the financial period. Expenditures are recorded on an accrual basis except for equipment, which is on the basis of purchase orders or signed contractual agreements issued to the end of the year and for certain employee benefits. Unliquidated obligations represent amounts for orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period and which require payment during a future period.

d) **Employee End of Service and Post-retirement Benefits**

The Organization's employees are entitled, under their conditions of employment, to specific end of service benefits. In addition, the Organization provides certain health care benefits to eligible retirees. The Organization's contributions for all these benefits are accounted for in the year that they are due.

e) **Translation of Currencies**

Transactions are carried out in a number of currencies. Transactions during the year are recorded in U.S. dollars at the United Nations operational rate of exchange (UNORE) effective at the time of the transactions, except for the disbursements covered by the forward purchase of currency contracts which are converted to U.S. dollars at the forward rate. Differences between the UNORE and the forward purchase contract rate are charged to expenditures. Additional information on the forward purchase of currencies is provided in Note 7 of the Regular Programme.

Monetary balances at the end of the year are expressed in U.S. dollars at the UNORE effective 31 December.

f) **Contributions in Kind**

The Organization does not record contributions in kind in the accounts. The estimated value of contributions in kind are disclosed in the notes of the Funds receiving such contributions.

## **REGULAR PROGRAMME**

1. The Regular Programme comprises the following funds, which are administered in accordance with Financial Regulation 7.3:

a) **General Fund**

The General Fund was established by the Assembly. Its purpose is to meet the Regular Programme expenditures through appropriations approved by the Assembly. The General Fund is financed by contributions from Contracting States according to the scale of assessment determined by the Assembly, by miscellaneous income, and by any advances made from the Working Capital Fund.

b) **Working Capital Fund**

The Working Capital Fund was also established by the Assembly. It can be utilized to make advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Contracting States. The amounts advanced are reimbursed as soon as funds are available in the General Fund.

Advances from the Working Capital Fund can be made as necessary to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the balance of sums advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available.

Advances may also be made to finance appropriations approved by the Council under Financial Regulation 5.2 b), to the relevant special fund created under Regulation 8.4 subject to the limit specified therein.

The level of the Working Capital Fund established by the Assembly is financed by assessed advances from Contracting States according to the scale of assessment determined by the Assembly. Interest earned from investment of funds in the Working Capital Fund is recorded as income in the General Fund.

2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - REGULAR PROGRAMME**

a) **Appropriations**

Annual appropriations voted by the Assembly and supplementary appropriations approved by the Council remain available for twelve months following the end of the financial year to which they relate to the extent that they are required to discharge obligations incurred during that year. The Secretary General may effect transfers of up to 10 per cent per appropriation for each Major Programme and, above this percentage, the Council, irrespective of its authority under Regulation 5.10 to effect transfers between Major Programmes, may determine that any unobligated balance of appropriations in any financial year during the period between normal triennial sessions of the Assembly be carried over to the following year. The total of obligated and carried over appropriations shall not exceed the Total Authorized Appropriation plus amounts carried over from the previous year. Any balance of unobligated appropriations shall be cancelled.

Appropriations carried over to the following year are reserved from cumulative surplus.

b) **Assessments**

Income from assessed contributions represents a legal obligation of Contracting States, which is recognized as income in the year in which it becomes due and payable.

Assessments on Contracting States are established and payable in U.S. dollars, but the Organization may accept payment in other currencies to the extent needed and such payments are recorded in U.S. dollars at the UNORE effective on the date of receipt. Payments received from Contracting States are applied first to advances due to the Working Capital Fund and the balance against outstanding assessments for the General Fund beginning with the earliest.

No provision is made for delays in the collection of assessed contributions.

c) **Surplus**

Excess of income over expenditure is credited to the Surplus Account. A cash surplus materializes when total surplus exceeds the assessments receivable from Contracting States. A cash deficit occurs when the assessments receivable exceed total surplus.

d) **Cancellation of Prior Year's Obligations**

Any unliquidated obligation remaining twelve months after the end of the financial period of its establishment, and which is no longer valid, is cancelled and credited to surplus.

e) **Forward Purchase of Currency**

Forward purchase contracts are recorded in the year of receipt of funds.

f) **Allocation of Expenditures Between the Regular Programme and the AOSCF**

Prior Assemblies approved the recommendation of the Council to integrate the Technical Co-operation Bureau into the Organization's structure and that the Regular Programme budget would support the Technical Co-operation Programme. As a result, some staff costs were transferred to the Regular Programme and certain other costs such as rental and maintenance of premises previously shared between the two Programmes have been fully absorbed by the Regular Programme. The 33rd Session of the Assembly confirmed the actions taken towards a new policy on technical co-operation in A33-21.

g) **Non-Expendable Property**

The cost of non-expendable property is charged to expenditure in the year purchased. Non-expendable property acquired by the Organization is defined as any item having a cost of \$ 1 500 or more and/or whose life expectancy is five years or longer and special items of an attractive nature with a cost of \$ 500 or more. An inventory of non-expendable property is maintained.

3. **CHANGE IN ACCOUNTING POLICY**

The presentation of the appropriations carried forward was changed from the practice followed in previous years. Previously, an appropriation carried forward was recorded as a reduction of the surplus and an increase in the income of the year in which it was utilized. Commencing in 2002, an appropriation carried forward is treated as a reserve of surplus. When utilized, the reserve is reduced and the amount is transferred to cumulative surplus to finance Regular Programme expenditure. The prior year Statements I, III and V have been restated accordingly.

The change was made in order to reflect in income only those revenues actually earned in the year, while disclosing separately in surplus the amounts set aside for purposes of financing expenditure of future years. The change has no effect on the balance of surplus, however, the amount of reported excess of income over expenditure in Statements I and V is decreased by \$ 3 801 000 in 2001 and increased by \$ 3 075 000 in 2002.

4. **ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES**

Assessments receivable from Contracting States for the General Fund amounted to \$ 15 243 715 as at 31 December 2002 compared to \$ 14 162 245 at the end of 2001. Outstanding assessments from Group B States, those with arrears equivalent to the three preceding years or more, which have not concluded agreements with the Council to liquidate their arrears, amounted to \$ 4 708 921 compared to \$ 4 488 699 at 31 December 2001.

The aging of assessments receivable as at 31 December 2002 and 2001 is summarized as follows:

<u>Years</u>	<u>2002</u>	<u>2001</u>
1974-95	\$ 6 676 764	\$ 7 014 720
1996	974 601	1 003 946
1997	1 054 489	1 087 424
1998	653 675	666 423
1999	521 310	569 280
2000	595 486	1 171 502
2001	<u>1 729 477</u>	<u>-</u>
Previous years	12 205 802	11 513 295
Current year	<u>3 037 913</u>	<u>2 648 950</u>
	<u>\$ 15 243 715</u>	<u>\$ 14 162 245</u>

5. **EXPENSES RECOVERABLE FROM AND DUE TO THE REGIONAL BODIES OF AFCAC, ECAC AND LACAC (STATEMENT II)**

ICAO provides secretariat services for the African Civil Aviation Commission (AFCAC), the European Civil Aviation Conference (ECAC) and the Latin American Civil Aviation Commission (LACAC). The costs are met initially from the General Fund and the expenses are recoverable from the respective Regional Bodies.

The net amounts recoverable from or due to the Regional Bodies for all transactions effected on their behalf by ICAO is shown below:

	<u>RECOVERABLE FROM</u>			<u>DUE TO</u>
	<u>AFCAC</u>	<u>LACAC</u>	<u>TOTAL</u>	<u>ECAC</u>
Balance due from (to) at 31 December 2001	1 604 740	103 277	1 708 017	(446 763)
Add: Expenditures incurred in 2002	256 314	152 381	408 695	2 029 766
Less: Amounts received in 2002	<u>(217 105)</u>	<u>(153 961)</u>	<u>(371 066)</u>	<u>(1 962 050)</u>
Balance due from (to) at 31 December 2002	<u>1 643 949</u>	<u>101 697</u>	<u>1 745 646</u>	<u>(379 047)</u>

**6. LEVEL OF THE WORKING CAPITAL FUND (STATEMENT II)**

The level of the Working Capital Fund as at 31 December 2002 was \$ 6 003 600 (\$ 6 007 200 in 2001). The level of the Fund was maintained at its current level by Assembly Resolution A33-28. The new Contracting State, Saint Kitts and Nevis, was assessed \$ 3 600 in 2002, thereby increasing the amount in the fund accordingly.

**7. FORWARD PURCHASE OF CURRENCY**

In 2001, the Organization entered into forward purchase contracts for Canadian dollars to cover the requirements of the Regular Programme and the AOSCF. A total value of Can.\$ 151 212 000 was forward purchased for delivery during the period of 4 January 2002 to 1 December 2004. During 2002, Can.\$ 50 221 000 were received at an actual cost of U.S.\$ 32 276 632.

Canadian dollar disbursements are reflected at the forward rate rather than at the UNORE. Differences between the forward rate and the UNORE in respect of Canadian dollars forward purchased amounted to a debit of \$ 258 541 in 2002 compared to a debit of \$ 726 064 in 2001. Of the total amount, \$232 687 (a debit of \$ 655 614 in 2001) is reflected in the Major Programmes expenditures of the Regular Programme and \$25 854 (a debit of \$ 70 450 in 2001) relates to the AOSCF, prorated on the basis of utilization of Canadian dollars forward purchased.

The Canadian dollars to be purchased over the next two years and the US dollar equivalent at the contracted forward purchase rates are as follows:

	<u>Canadian Dollars</u>	<u>U.S. Dollars</u>
2003	\$ 50 281 000	\$ 32 304 730
2004	<u>50 710 000</u>	<u>32 596 041</u>
	<u>\$ 100 991 000</u>	<u>\$ 64 900 771</u>

**8. CONTRIBUTIONS IN KIND**

Under separate agreements between the Governments of Canada, Egypt, France, Mexico, Peru, Senegal and Thailand and the Organization, these Governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. The Government of Canada also bears the major part of the cost of operations and maintenance of the Headquarters premises. These are treated as contributions in kind.

The estimated value of the contributions in kind, based on the lease contracts or on the estimated market value when there is no lease, is shown below:

	<u>2002</u>	<u>2001</u>
Canada	\$ 7 220 000	\$ 7 400 000
Egypt	103 000	103 000
France	487 000	510 000
Peru	101 000	113 000
Senegal	9 000	8 000
Thailand	<u>347 000</u>	<u>337 000</u>
	<u>\$ 8 267 000</u>	<u>\$ 8 471 000</u>

The Government of Mexico provides a cash contribution towards the rental and utilities costs of the Regional Office in Mexico City. The contribution in 2002 amounted to \$ 134 000 (\$ 97 000 in 2001).

**9. END OF SERVICE AND POST-RETIREMENT BENEFITS**

In accordance with United Nations Common System practice, ICAO has not recognized in any of its financial accounts the liabilities for after-service health insurance costs or for other types of end-of-service payments payable to staff members when they leave the Organization. Therefore, ICAO has not created any reserve to fund these liabilities. Such expenses are budgeted for in the annual budget and the actual costs incurred in each financial period, when staff members separate, are reported as current year expenditure.

Separation payments and termination indemnity in respect of the Regular Programme staff are estimated at \$ 13.2 million as at 31 December 2002 (\$ 12.8 million as at 31 December 2001). The estimate for leave and termination indemnity is based on historical experience over the last 5 years. The other estimates for separation payments are based on the actual entitlements for professional staff at 31 December 2002, valued at the average historical cost of the benefit.

Health insurance coverage is available to qualified retired employees. The Regular Programme paid \$ 477 000 in the current year for health care benefits in respect of all eligible retirees, including those of the AOSC Fund (\$ 424 000 as at 31 December 2001).

The contingent liability resulting from the after-service health insurance that the Organization may have to pay to its staff members in future years has been determined by actuarial valuation, performed in accordance with the generally accepted actuarial principles, the professional standards of the Canadian Institute of Actuaries, and the professional standards of the Canadian Institute of Chartered Accountants. The actuarial valuation of the contingent liability for health benefits in future years (including both health and dental care) is estimated at \$ 28.1 million. The liability covers all staff of ICAO including those of the AOSC Fund.

#### 10. LONG-TERM LEASE COMMITMENTS

As at 31 December 2002, the Organization had a commitment of approximately \$ 2.6 million per annum for 14 years relating to its share of the basic rent and operating and maintenance costs of the Headquarters premises.

In August 2000, the Organization entered into a five year lease for a PBX telephone system and a fax server with scanners. The lease provides for monthly payments of CAD\$ 13 493 per month (equivalent to approximately U.S.\$ 8 500) until May 2005.

#### 11. DISPOSITION OF CASH SURPLUS

1. Assembly Resolution A33-23B approved the disposal, from the cash surplus, of the following:
  - a) the amount of \$ 1 000 000 as credits to Contracting States in respect of the incentive scheme on 1 January 2002 in accordance with Assembly Resolution A26-23;
  - b) the amounts of \$ 763 000, \$ 1 052 000 and \$ 2 062 000 to be allocated to the Universal Safety Oversight Audit Programme (Remainder of continuation and Expansion) on 1 January 2002, 1 January 2003 and 1 January 2004 respectively; and
  - c) the amounts of \$ 1 496 000, \$ 1 748 000 and \$ 3 567 000 to finance some of the Regular Programme budget for the years 2002, 2003 and 2004 in order to minimize the assessments on Contracting States.
2. Cash surplus of \$ 11 688 000 has been reserved from cumulative surplus to cover the amounts approved. During 2002, the reserve was depleted for the surplus distribution of \$ 1 000 000, the allocation of \$ 763 000 for the continuation and expansion of USOAP, and \$ 1 496 000 to finance part of the Regular Programme budget in order to minimize the assessments on Contracting States.

#### 12. PARTICIPATION IN THE UNITED NATIONS JOINT STAFF PENSION FUND (UNJSPF)

ICAO is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report the United Nations General Assembly has not invoked this provision.

The payments made to UNJSPF relating to the contributions of the participants and the Organization for 2002 amounted to \$13 381 737 (\$ 12 656 043 in 2001).

#### 13. CONTINGENCY

In September 2001, a former staff member lodged an appeal with the United Nations Administrative Tribunal (UNAT) against a decision of the Secretary General. In his application, the staff member claimed from ICAO, *inter alia*, payment of "38 years net base salary". In October 2001, another former staff member lodged an appeal with the UNAT, in which, *inter alia*, a claim against ICAO in the amount of U.S.\$ 150 000 is made. Both appeals are pending before the UNAT. The outcome of both appeals cannot be predicted.

## **ADMINISTRATIVE AND OPERATIONAL SERVICES COST (AOSC) FUND**

1. The Administrative and Operational Services Cost Fund (AOSCF) was established under the provisions of Article IX of the ICAO Financial Regulations. The AOSCF is utilized to meet the costs of administration and operation of technical co-operation programmes. This Fund is primarily financed from administrative overhead charges to the United Nations Development Programme (UNDP), Trust Funds and Management Service Agreements, and Civil Aviation Purchasing Service Funds.

### **2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - AOSC FUND**

#### **a) Budgetary Estimates**

The annual indicative budgetary estimates for AOSC, approved by the Assembly and subsequently adjusted by the Council in accordance with Article IX of the Financial Regulations, remain available for twelve months following the end of the financial year to which they relate to the extent they are required to discharge obligations incurred during the year. The Council may under certain circumstances approve the carry over of any unobligated balance of the budgetary estimates to the following year.

#### **b) Administrative Overhead Income**

Administrative overhead is charged to the UNDP Fund and to Trust Funds on a basis determined in co-ordination with the UNDP and beneficiary countries. Handling charges for the management services provided under Management Service Agreements are negotiated with funding sources. Administrative overhead charged to the Civil Aviation Purchasing Service Funds is calculated in accordance with the scale of charges established by the Council for the CAPS Agreements.

#### **c) Allocation of Expenditures Between the Regular Programme and the AOSCF**

The allocation of expenditures between the Regular Programme and the AOSCF are commented on in Note 2(f) of the Regular Programme.

### **3. END OF SERVICE AND POST-RETIREMENT BENEFITS**

End of service benefit entitlements accrued to AOSCF staff are estimated at \$ 3.4 million as at 31 December 2002 (\$ 3.2 million as at 31 December 2001). Refer to Note 9 of the Regular Programme for the contingent liability resulting from the after-service health insurance.

### **4. FORWARD PURCHASE OF CURRENCY**

As indicated in Note 7 of the Regular Programme, as a result of the differences between the UNORE and the forward rate, an amount of \$ 25 854 is included as a charge to the 2002 expenditures of the AOSCF compared to a charge of \$ 70 450 in 2001.

### **5. IMPROVING EFFICIENCY AND EFFECTIVENESS OF THE TECHNICAL CO-OPERATION BUREAU**

The Council at its 155<sup>th</sup> Session in 1998 approved the proposal to use up to 20 per cent of the annual surplus in the AOSC Programme Budget of the preceding year on improving the Technical Co-operation Bureau's efficiency and effectiveness, as required (C-DEC 155/7).

The status of the surplus set aside for this purpose is shown below.

Balance, 1 January 2002	\$ 305 201
Provision for 2001( 20% of \$ 1 537 589)	<u>307 518</u>
	612 719
Less: expenditures incurred in 2002	<u>289 613</u>
Balance, 31 December 2002	<u>\$ 323 106</u>

## 6. RESTATEMENT OF PRIOR YEARS

In previous years, the expenditure incurred for activities related to improving the efficiency and effectiveness of the Technical Cooperation Bureau was reflected in the annual expenditure of the AOSCF in the Other expenditure category and the movement in the reserve was disclosed in a note to the accounts. For presentation in the accounts of 2002, the amount spent for improving the efficiency and effectiveness of TCB is shown as a separate expenditure category, the reserve from AOSCF surplus has been separately disclosed in Statement II, and the amount of the surplus used to finance the current year expenditure has been reported as a reduction of the total expenditure in Statement I to arrive at net excess income over expenditure. The AOSCF Statements I and III for the prior year have been restated to reflect this change in disclosure of the amount reserved and used for improving the efficiency and effectiveness of the Technical Co-operation Bureau referred to in Note 5 of the AOSCF.

## 7. CONTINGENCY

As indicated in Note 3 of the Trust Funds and Management Service Agreements and CAPS Funds, a contractor invoked arbitration proceedings for the settlement of a claim arising from the procurement services provided by ICAO within the framework of a Civil Aviation Purchasing Service Fund (CAPS). The settlement amount of \$ 1.3 million was paid in December 2002 and has been recorded in the CAPS Fund and is reflected in the project costs of Vietnam reported in Schedule H. The total balance in the Vietnam project account at 31 December 2002 in respect of accumulated legal fees and the final settlement amounted to \$ 1 825 291; to the extent that Vietnam does not fully reimburse ICAO for this amount, the shortfall will be covered by the AOSCF.

## SPECIAL ACCOUNTS/FUNDS

### 1. Purpose and Financing of the Special Accounts/Funds

1.1 The **Air Transport Cost Recovery Account** was established by the Council in 2001 to finance income and expenditures relating to specific services provided by the Air Transport Bureau to Contracting States and others.

1.2 The **Conference and Other Facilities Fund** was established in 1999 to account for the income and the costs of administration, operation and refurbishment relating to the rental of the conference, garage and cafeteria facilities.

1.3 The **English Language Standard Project Account** was established for the enhancement of communication procedures in civil aviation.

1.4 The **Incentive for Settlement of Arrears Account** was established by Resolving Clause 2 of Assembly Resolution A32-27, and the continuation of the scheme was confirmed by the 33<sup>rd</sup> Assembly in Resolution A33-27. Resolving Clause 3 of Resolution A33-27 provides that "payments from Contracting States with arrears of three full years or more will be retained in a separate account to finance expenditure on aviation security activities, and new and unforeseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes." Funds are provided from transfers of the Regular Programme surplus.

1.5 The **Information and Communication Technology (ICT) Fund** was established in 2001 by Assembly Resolution A33-24 to facilitate the modernization of ICAO's financial systems, the enhancement of ICAO's Web sites and consolidation of file servers.

1.6 The **International Financial Facility for Aviation Safety (IFFAS) Fund** was established by the Council in 2002, in accordance with the principles and guidelines contained in Assembly Resolution A33-10, with the objective of financing safety-related projects for which States cannot otherwise provide or obtain the necessary financial resources.

1.7 The **Language Services Account** for the provision of interpretation, translation and printing services was established by the Council in 2001 to administer the income and the expenditure related to the provision of such services to other international organizations, government agencies and national delegations.

1.8 The **Electronic Publishing Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2 for the production and sale of electronic publications.

1.9 The **Proprietary Commission of the International Registry Account** was established by the Council in 2001. At the 161st Session of the Council held in December 2001, the Council accepted the responsibility of guiding and supervising the work of the Preparatory Commission of experts to perform the preliminary work regarding the establishment of the Authority of the International Registry and to administer the funds to be made available for the Preparatory Commission. The International Registry is a self-funding mechanism through user fees on a cost recovery basis

in accordance with Article XX(3) of the Aircraft Protocol. Funding for the work of the Preparatory Commission is provided by voluntary contributions from States and from other interested private parties.

1.10 The **Special Public Information Projects Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2, relating to self-financial activities of the External Relations and Public Information Office of ICAO.

## 2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - SPECIAL ACCOUNTS/FUNDS**

The applicable policies are described in Significant Accounting and Financial Reporting Policies - All Funds.

## 3. **INCENTIVE FOR SETTLEMENT OF LONG OUTSTANDING ARREARS**

As indicated in Note 1.4 above (Special Accounts/Funds), payments from Contracting States with arrears of three full years or more are retained in a separate account.

The balance in the account as at 31 December 2002 was \$ 3 622 850 (\$ 3 118 780 at 2001). Total accumulated credits to the account at 31 December 2002 amounted to \$ 3 748 223 (\$ 3 186 521 at 2001).

At its 160<sup>th</sup> session, the Council authorized the use of \$ 425 000 from the account for funding of follow-up actions to ICAO safety oversight audits according to specific guidelines. At 31 December 2002, a total of \$ 125 374 had been spent (\$ 57 633 in 2002 and \$ 67 741 in prior years) against the Council's authorization, and the remaining balance of \$ 299 626 remains unspent. The unspent authorized amount is not reflected in the accounts.

## **JOINT FINANCING FUNDS**

1. Based on the principles laid down in Chapter XV of the Convention on International Civil Aviation, a number of governments adhered to the Danish and Icelandic Joint Financing Agreements to jointly support the costs of certain air navigation facilities and services provided by the Governments of Denmark and Iceland. These include air traffic services, meteorological services, aeronautical and meteorological telecommunication services, and radio navigation aids. Currently, twenty-three governments are adhering to these joint financing agreements.

1.1 The Governments of Denmark and Iceland are reimbursed for 95 per cent of the actual costs. Of the 95 per cent actual costs, the costs allocable to civil aviation are recovered through user charges, the remaining costs are shared by the contracting governments, in proportion to the number of crossings between Europe and North America, any portion of which lies north of the 45<sup>th</sup> parallel North and between the meridians of 15° West and 50° West performed by their civil aircraft.

## 2. **SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - JOINT FINANCING FUNDS**

### a) **Basis of Accounting**

The accounts are kept to reflect the terms of the joint financing agreements. The United Nations system accounting standards are followed except for user charge revenue which is recorded on cash basis.

### b) **User Charge Revenues**

User charges are billed to commercial or private aircraft flying in the service area, by the United Kingdom on behalf of Denmark and Iceland. The collections by the United Kingdom, net of an administrative fee not to exceed 5 per cent, are remitted directly to Denmark and Iceland. These remittances are treated as income in ICAO's financial statements for the year in which they are received by Denmark or Iceland.

### c) **Assessments**

Contracting Governments may be assessed, by the Council, amounts to cover the excess of estimated services costs over estimated user charge revenues which is adjusted for prior years settlements of costs and user charge revenues approved in the current year. The assessments are established in accordance with the terms of the agreements and are recorded in the year for which they are levied.

d) **Service Costs**

Costs for the current year are estimated by the Governments providing the services and approved by the Council. Adjustments to estimated service costs are approved by Council for a given year and are accounted for in the year of settlement.

e) **Translation of Currencies**

i) Icelandic Joint Financing Agreement Fund:

- Assessments on contracting Governments are levied in U.S. dollars.
- User charge revenues received from the United Kingdom in Pounds Sterling are converted into U.S. dollars at the rate of exchange effective on the first banking day of the month of the collection by Iceland.
- Service costs are recorded in U.S. dollars.

ii) Danish Joint Financing Agreement Fund:

- Assessments on contracting Governments are levied in Danish kroner.
- User charge revenues received from the United Kingdom in Pounds Sterling are converted into Danish kroner at the spot rate of exchange.
- Service costs are recorded in Danish kroner.
- For financial statement presentation, transactions during the year in Danish kroner are converted to U.S. dollars at the average of the monthly UNORE for the year and current balances at the end of the year are expressed in U.S. dollars at the UNORE effective 31 December.

3. **BALANCE OF JOINT FINANCING FUNDS**

The balance of funds is as follows:

	<u>Danish Fund</u>	<u>Icelandic Fund</u>	<u>Total</u>	
			<u>2002</u>	<u>2001</u>
Operating surplus/(deficit)	\$ (535 468)	\$ (591 582)	\$(1 127 050)	\$ (2 400 152)
Reserved accumulated interest	<u>84 552</u>	<u>225 543</u>	<u>310 095</u>	<u>380 571</u>
	<u>\$ (450 916)</u>	<u>\$ (366 039)</u>	<u>\$ (816 955)</u>	<u>\$ (2 019 581)</u>

The Reserve accumulated interest is applied to cover certain expenses of the Organization that are not incurred annually or are not incurred for the day-to-day activities of administering these agreements.

4. **USER CHARGES RECEIVABLE**

The balance of user charges receivable pertaining to the Danish and Icelandic Joint Financing Agreements was approximately U.S.\$ 4.7 million as at 31 December 2002 (U.S.\$ 4.3 million as at 31 December 2001).

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FUND**

1. Under the UNDP, the execution or implementation of projects related to civil aviation, financed by or through the UNDP, may be delegated to ICAO.

**2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - UNDP FUND**

**a) Legislative Authority and Financial Presentation**

In addition to complying with the ICAO Financial Regulations, the transactions must also comply with the UNDP requirements. Schedules F and F.1 have been prepared in accordance with the format and directives prescribed by the UNDP.

**b) Expenditures**

Expenditures are recorded as stated in Note 2(c) of All Funds of the Organization. In addition, for sub-contracts, expenditures are recorded on the basis of the payment schedule included in the contract with the sub-contractor. Expenditure for projects includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Programme support costs are calculated on project expenditure on a basis determined by the UNDP and beneficiary countries. A forward commitment is an engagement entered into in the current year which commits resources of future periods; these are not reflected in the current year expenditure.

**3. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS**

During the year, commitments were entered into against future financial periods for the following:

- a) UNDP Iran for a total of \$ 59 207; and
- b) UNDP Somalia for a total of \$ 10 040.

These Purchase Orders are not accrued in the accounts of the current period.

**TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS (MSA) AND THE CIVIL AVIATION PURCHASING SERVICE (CAPS) FUNDS**

1. Governments and other contributors may request ICAO to provide technical co-operation for specific projects relating to civil aviation. A specific Trust Fund is established for each agreement concluded between ICAO and a government or a contributor. While the Trust Fund and Management Service Agreements are designed to cover a broad range of technical co-operation services, the CAPS Agreement is designed to provide procurement services. These projects are financed by funds provided in trust and are administered by ICAO.

**2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - TRUST FUNDS, MSA AND CAPS FUNDS**

**a) Income**

Contributions are recorded on a cash basis and provide for project implementation in the current and future periods.

**b) Expenditures**

Expenditures are recorded as stated in Note 2(c) of All Funds of the Organization. In addition, for sub-contracts, expenditures are recorded on the basis of the payment schedule included in the contract with the sub-contractor or presented in a manner which takes into account the requirements of contributors. Expenditure for projects includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. A forward commitment is an engagement entered into in the current year which commits resources of future periods; these are not reflected in the current year expenditure.

**c) Administrative Overhead**

Administrative overhead for Trust Funds is charged on current year expenditure on a basis determined in co-ordination with the UNDP and beneficiary countries. In the case of Management Service Agreements, handling charges are negotiated with funding sources.

Administrative overhead for CAPS is calculated in accordance with the scale of charges established by the Council for the Civil Aviation Purchasing Service Agreements.

### 3. CONTINGENCY

Pursuant to the Civil Aviation Purchasing Services (CAPS) Agreement with the General Civil Aviation Administration of Viet Nam, ICAO entered into a contract with a supplier, Tripal Systems Pty. Ltd., in August 1990 for the provision of equipment and services to upgrade the airway facilities at Noi Bai International Airport, Hanoi, Viet Nam, for an amount of U.S.\$ 6 557 862 plus additional costs of U.S.\$ 31 974 which were agreed on 1 June 1991, of which an amount of U.S. \$ 5 349 501 was paid. The balance was cancelled when ICAO terminated the contract in February 1993 due to continuous failure on the part of Tripal to perform its contractual obligations.

The contractor first claimed an additional amount of U.S.\$ 8 107 800, excluding interest, for extra costs, losses and damages and commenced arbitration proceedings in the last quarter of 1992. On 9 October 1996 the contractor filed a detailed statement of claim with the arbitral Tribunal, for a total of U.S.\$ 14 953 693 in damages plus interest and costs. The claimant reserved the right to submit additional claims. On 31 July 1998 ICAO submitted a detailed statement of defence and counterclaim, defending against all claims, and counterclaiming against Tripal for damages in the amount of U.S.\$ 9 715 408.

On 19 April 1999, Tripal submitted a response and cross-defence, claiming a grand total of U.S.\$ 8 160 068 plus interest and cost, representing a decrease of the total claim. ICAO submitted a detailed rebuttal to the Tribunal on 30 November 1999.

All litigation costs incurred until the end of 1997 were covered by the remaining Viet Nam CAPS funds, in accordance with Viet Nam's obligations under the CAPS Agreement. From early 1998 onwards, ICAO had to advance funds to cover the ongoing litigation. Following several requests by the Secretary General, Viet Nam provided additional funding in line with the CAPS Agreement to cover arbitration costs, and ICAO received payment of U.S.\$ 430 437 from Viet Nam on 5 January 2001. This amount covered ICAO's expenses incurred until 31 July 2000 and correspond to the latest sum claimed by ICAO from Viet Nam on 24 August 2000.

The total legal costs of the oral hearings before the Arbitral Tribunal, which were set to commence on 6 January 2003, were estimated by ICAO's outside Counsel to be for ICAO in excess of U.S.\$ 1.128 million and possibly up to U.S.\$ 2.6 million.

In October 2002, in an effort to avoid the spiralling of expenses and risks of litigation, where an adverse decision could not be excluded, the parties agreed to submit the dispute to mediation. The mediation meetings, which took place in Montreal at the end of October 2002 and stretched into November 2002, resulted in a settlement agreement. Under the settlement, an amount of U.S.\$ 1.3 million is payable by ICAO, on behalf of itself and of Viet Nam, to Tripal, and full and final release from all claims and demands, present or future, arising from the subject matter of the dispute, is provided by the three parties (i.e. Tripal, ICAO, Viet Nam) to each other.

The settlement agreement was signed by Tripal on 29 November 2002, and by ICAO on 13 December 2002. Viet Nam was invited by the Secretary General to sign the agreement in a letter dated 11 December 2002. To date, Viet Nam has not signed the agreement.

In accordance with the settlement agreement, the settlement amount was deposited in trust with ICAO's outside Counsel on 13 December 2002. The amount is to be released to Tripal's outside Counsel within six months of the agreement's execution by ICAO and Tripal. Pursuant to paragraph 11 of the CAPS Agreement with Viet Nam, the latter is obligated to provide reimbursement of the settlement amount and related legal expenses to ICAO. For the year 2002, ICAO incurred expenses in the amount of U.S. \$ 1 618 799, which includes the settlement amount of U.S. \$ 1.3 million referred to above. The total amount advanced by ICAO and not previously reimbursed by Viet Nam amounts to U.S.\$ 1 825 291. To date, Viet Nam has not indicated whether it will reimburse these amounts to ICAO, nor, despite an earlier reimbursement payment of January 2001, can it be predicted when and to what extent it will honour its financial commitment (Reference is also made to Note 7 of the AOSC Fund).

### 4. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS

During the year, commitments were entered into against future financial periods for the following:

- a) Brazil CAPS for a total of \$ 15 547 362;
- b) Brazil MSA (DAC) for a total of \$ 41 841;
- c) Brazil MSA (DEPV) for \$34 560; and
- d) Brazil MSA (ITCM) for a total of \$25 858.

These Purchase Orders are not accrued in the accounts of the current period.

## 5. AFGHANISTAN MSA

The Management Services agreement with the Transitional Government of Afghanistan calls for ICAO to provide procurement-related services, however, the actual procurement is financed directly by the Transitional Government and ICAO did not receive or disburse any funds relating to the procurement. As ICAO is not accountable for the procurement, only the administrative overhead charge relating to the procurement services is recorded in the accounts.

## 6. LUMP SUM CONTRACTS

During 2002, ICAO entered into Technical Cooperation agreements with Contracting States referred to as Lump Sum Contracts. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. The administrative charge is recognized as expenditure is incurred and adjusted at the end of the contract to reflect the over or under recovery of actual expenditure.

## ICAO MECHANISMS

### AVIATION SECURITY TRUST FUND

1. The following Aviation Security (AVSEC) Trust Funds have been established to receive voluntary contributions from Contracting States to fund activities under the Aviation Security Programme.

- i) An Aviation Security Trust Fund - established pursuant to a Council decision in 1989, for the purpose of providing technical, financial and material assistance to States in the field of aviation security (AVSEC);
- ii) Specific funds established prior to 2001 to accommodate contributions received from Contracting States for specific (earmarked) activities; and
- iii) Enhanced AVSEC Mechanism Fund - established in 2001 pursuant to Assembly Resolution A33-1, which urges all Contracting States to make contributions in the form of financial or human resources to ICAO's AVSEC mechanism to support and strengthen the combat against terrorism and unlawful interference in civil aviation and directs the Council to develop proposals and take appropriate actions for a more stable funding of ICAO action in the field of aviation security.

1.2 In 2002, the Council approved the Aviation Security Plan of Action (ASPA), comprising 13 projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general as well as earmarked funds from within the Aviation Security Trust Funds.

1.3 States have also provided airfares and experts, on a short-term basis, to carry out aviation security training assignments which are not included in the Aviation Security Trust Fund. The value of contributions in kind, comprising mainly of short-term experts, is estimated at \$275 000 for 2002 (\$ 275 000 for 2001).

1.4 Administrative costs and support costs arising from the implementation of activities under the AVSEC Trust Funds, where not provided for in the Trust Funds, are charged to the Regular Programme.

### ICAO UNIVERSAL SAFETY OVERSIGHT AUDIT PROGRAMME FUND

1. The ICAO Universal Safety Oversight Audit Programme (USOAP) Fund was originally established in 1995 to account for voluntary contributions by States to conduct civil aviation safety oversight assessments in States that voluntarily request such assessment. As a consequence of Assembly Resolution A32-11, the voluntary aspects of the safety oversight programme were changed to that of regular mandatory safety audits, and the programme was renamed the ICAO Universal Safety Oversight Audit Programme as of 1 January 1999. For the period from 1999 to 31 December 2002, the Trust Fund was a source of financial support to the programme, in the form of voluntary contributions from States donated specifically to finance safety oversight posts in the Secretariat, and to finance the operation of the programme or for specific activities. The Trust Fund was administered as part of the Regular Programme and operates separately from the Technical Co-operation Programme without any overhead charges on the projects implemented. Cost of administrative services are borne by the Regular Programme.

1.1 The 33<sup>rd</sup> Session of the Assembly (A33-8, Operative Clause 8) requested the Secretary General to study the expansion of the programme, in particular to the conduct of audits of the core elements of Annex 13 - *Aircraft Accident and Incident Investigation*. In March 2002, the Council approved that, subject to meeting any conditions specified by the

donor governments, the funds remaining in the USOAP Fund were to be utilized to finance the preparatory work and the expansion of the audits to all provisions of Annex 13, and that such work would commence in 2003. Therefore, the balance of funds in each of the oversight accounts as at 31 December 2002, to the extent that they are not earmarked for specific other purposes, will be transferred in 2003 to a new account established to finance the preparatory work relating to the conduct of audits of the provisions of Annex 13.

1.2 Funds donated by States to finance specific safety oversight posts or specific activities are recorded in the safety oversight account of each State. Funds donated by States to finance actual implementation activity are recorded in a General Account of the Universal Safety Oversight Audit Programme fund.

1.3 States have also provided airfares and experts on a short-term basis to carry out safety oversight audits.

1.4 Voluntary contributions were received during the year for the General Account from the following State:

United States	<u>\$ 18 568</u>
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1.5 The value of contributions in kind, comprising mainly of experts, is estimated at \$ 103 500 for 2002 (\$ 395 000 for 2001).

#### **ICAO OBJECTIVES IMPLEMENTATION MECHANISM FUND**

1. The 31st Session of the Assembly endorsed the new policy on technical co-operation which included the establishment of a funding mechanism the purpose of which is to provide additional resources for technical co-operation which could be applied to activities identified as required to support the implementation of Standards and Recommended Practices (SARPs) and Air Navigation Plans (ANPs). Administrative overhead charges are negotiated with the donors.

1.1 The Council at its 148<sup>th</sup> Session (C-DEC 148/5) endorsed the consolidation of the Aeronautical Technical Training Fund which was established by Assembly Resolution A16-7 into the ICAO Objectives Implementation Mechanism Fund.

1.2 Funds donated by States to finance specific activities are recorded in the mechanism account for each State.

#### **OTHER FUNDS**

##### **1. Purpose and Financing of these Funds**

- a) The **Administrative Fee for Joint Financing Agreements** was established by the Council (C-DEC 136/22) to recover, through an administrative fee, the full costs incurred by ICAO for facilities and services provided for the administration of the Danish and Icelandic Joint Financing Agreements.
- b) The **Arabic Language Services Fund** reflects the financial contributions received from certain Contracting States towards the cost of extension of Arabic language services in ICAO.
- c) The **Chinese Language Services Fund** reflects the balance of funds remaining from the financial contribution made by the Government of the People's Republic of China to assist in the financing of the Chinese language unit in ICAO.
- d) The **Edward Warner Award Fund** was established to defray the cost of awards to individuals or institutions who have made an outstanding contribution to the development of international civil aviation.
- e) The **France Associate Experts Scheme Fund** was established in 1979 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of France to provide and fund Associate Experts.
- f) The **Germany Associate Experts Scheme Fund** was established in 1981 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of Germany to provide and fund Associate Experts.

- g) The **ICAO Air Navigation Commission (ANC) Laurel Award Fund** was approved by the Council in 1999 for the ANC Laurel Award established by the ANC. The award is to be given every two years to an individual or group having significantly contributed to the work of the ANC, through its panels, study groups, worldwide meetings or any other appropriate manner.
- h) The **Japan Junior Professional Officers Fund** was established in 1988 as a result of an agreement by which the Government of Japan provides and funds Junior Professional Officers for appointment with ICAO.
- i) The **Netherlands Associate Experts Scheme** was established in 1999 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of Netherlands to provide and fund Associate Experts.
- j) The **North Atlantic Height Monitoring System Fund** was established in 1995 to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System signed between ICAO and six Contracting Governments. The purpose of that fund is to account for the operation and maintenance costs defined in the Arrangement and for their recovery through user charges on all civil aircraft making crossings of the North Atlantic as defined in Article VII of the Danish and Icelandic Joint Financing Agreements.
- k) The **Republic of Korea Junior Professional Officers Fund** was established in 1991 as a result of an agreement by which the Government of the Republic of Korea provides and funds Junior Professional Officers for appointment with ICAO.

## 2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES - OTHER FUNDS

### North Atlantic Height Monitoring System Fund

#### a) Basis of Accounting

The accounts are kept to reflect the terms of the joint financing arrangement. The United Nations system accounting standards are followed except for user charge revenue which is recorded on a cash basis.

#### b) User Charge Revenues

User charges are billed to commercial or private aircraft flying in the service area, by the United Kingdom on behalf of Canada, Iceland, Ireland, Portugal and the United Kingdom. The collections by the United Kingdom, net of an administrative fee not to exceed 5 per cent, are remitted directly to ICAO for distribution to the parties involved. These remittances are treated as income in the financial statements for the year in which they are received by ICAO.

#### c) Service Costs

Costs for the current year are estimated by Canada, Iceland, Ireland, Portugal and the United Kingdom. Adjustments to estimated service costs for a given year are accounted for in the year of settlement.

#### d) Translation of Currencies

User charge revenues received from the United Kingdom in Pounds Sterling are converted into U.S. dollars at the spot rate of exchange.

Service costs are recorded in U.S. dollars.

## 3. USER CHARGES RECEIVABLE

The balance of user charges receivable pertaining to the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System was approximately U.S.\$ 548 000 as at 31 December 2002 (U.S.\$ 482 000 as at 31 December 2001).

REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY  
ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE  
INTERNATIONAL CIVIL AVIATION ORGANIZATION  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER  
2002

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**MAIN POINTS**

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	30 out of 35 Contracting States were not in compliance with the terms of their agreement to liquidate their contribution arrears.	11
	The value of non-expendable items was still not disclosed in 2002 financial statements.	12
	In two Management Service Agreements, ICAO financial procedures were not followed.	14
Technical Co-operation Projects	Overall, we found that planning was done prior to the execution of projects.	28
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## INTRODUCTION

1. This report contains the results of the external audit of the International Civil Aviation Organization (ICAO) that my Office conducted on my behalf as External Auditor of the Organization.
2. The report includes observations and recommendations arising from our audit of the Organization's financial statements, our compliance audit of its transactions, and our performance audits of certain programmes and activities.
3. We prepared this report and the audit opinion in English. We audited the English version of ICAO's financial statements.

## SCOPE OF THE AUDIT

The scope of the audit was determined in compliance with ICAO's Financial Regulations.

4. The scope of the audit was determined in compliance with Article XIII of the ICAO Financial Regulations and with the additional terms of reference governing the external audit, which are contained in the Annex to those regulations.

5. The audit was carried out in accordance with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, and with international auditing standards.

Scope of this year's performance audit.

6. We examined a sample of 25 projects managed by the Technical Co-operation Bureau. We sought to determine whether these projects were adequately planned and managed. We also examined some important regional office performance issues that we had identified in previous long-form reports, after visiting two regional offices.

Status of actions taken on prior years' reports.

7. In Addendum No. 3, the Secretary General has submitted the status of actions taken on the recommendations contained in our prior years' reports. We did not examine this document because it was available only toward the end of our audit. We plan to follow-up on this document next year.

## FINANCIAL STATEMENTS AND AUDIT OPINION

The audit opinion on the 2002 financial statements is without reservation.

8. The financial statements for the year ending 31 December 2002 were submitted to us by the Secretary General for audit in accordance with ICAO Financial Regulation 12.4. The audit opinion on the 2002 financial statements was issued without reservation.

9. The United Nations system accounting standards (UNSAU) allow organizations to provide for delays in the collection of outstanding assessed contributions. In accordance with ICAO's accounting policy, no provision is made for delays in the collection of assessed contributions. The Secretariat believes that its present accounting policy is appropriate in the circumstances.

ICAO should reconsider its accounting policy to include a provision for longstanding delays in the collection of assessed contributions.

10. The financial statements disclose the problem of delays in the collection of amounts receivable and recoverable and the impact of those amounts on the Organization's financial situation. We understand that delays in the collection of amounts receivable remain a significant concern in the United Nations common system. We encourage ICAO to reconsider its accounting policy to include a provision for longstanding delays in the collection of assessed contributions in its accounts to truly reflect the financial situation of the organization.

30 out of 35 Contracting States were not in compliance with the terms of their agreement to liquidate their contribution arrears.

11. In 2002, ICAO received approximately \$736 000 from the group of Contracting States (Group A in Schedule B) that had agreements with the Council to liquidate their arrears over a specified number of years. There has been a noticeable decrease compared with 2001 when approximately \$2.3 million was received from Contracting States in Group A. We encourage the Organization to continue its efforts to recover more of these amounts. A total of 30 out of 35 Contracting States (86 percent) were not in compliance with the terms of their agreements as at 31 December 2002. For the year 2001, 24 out of 32 Contracting States (75 percent) were not in compliance with the terms of their agreements.

Value of non-expendable items still not disclosed in 2002 financial statements.

12. In 2000, we recognized the Organization's efforts in complying with UNSAS's requirement for disclosure either in the financial statements or in the notes to the financial statements of the value of non-expendable items. An inventory control system was installed during 2000 and further verification of the system for accuracy and completeness of data was completed by the Office for Programmes Evaluation, Audit, and Management Review (EAO) in April 2002. A number of recommendations were made to improve the controls over the record-keeping. We note that the Secretariat was still unable to disclose this year the value of non-expendable properties because further improvements to the system are needed. We strongly encourage the Secretariat to promptly address the problem in order to be in a position to present this amount in the 2003 audited financial statements.

After-service medical benefits are now disclosed but disclosure needs improvement.

13. The UNSAS requires disclosure of liabilities for after-service medical benefits. We were pleased that ICAO was able to provide us with the actuarial valuation of this amount for 2002. The information is presented this year in note 9 of the Regular Programme. However, this information is not provided separately for the Regular Programme and the Administrative and Operational Services Cost (AOSC) Fund. The amount obtained was for both accounting entities and it was impossible to segregate the two components. We, therefore, request ICAO to obtain this information in the course of the next actuarial valuation, which will take place for the financial year ending 31 December 2004.

In two management service agreements, ICAO financial procedures were not followed.

14. In two management service agreements, payments were made before the corresponding purchase orders were issued. In the first case, payments of \$1 372 679 were made from January 2002 to July 2002 without prior authorization from headquarters. The purchase order for \$2 419 563 was only issued in late July 2002 followed by two change orders decreasing the amount to \$2 065 323. In the second case, payments of \$214 115 were made from January 2002 to March 2002 and the purchase order was only issued in late March 2002 for \$868 225. Two subsequent change orders decreased the purchase order to \$822 000. Management informed us that payments were made for sub-contract services in order to avoid disruption to project activities. We encourage the Organization to ensure that appropriate internal control procedures and the ICAO Procurement Code be followed, that the Organization adopt a more proactive approach regarding the monitoring of financial and management controls of procurement activities in field offices, and that all actions not complying with approved financial procedures be brought to the attention of the Secretary General.

15. Note 3 to the Trust Funds and Management Services Agreements and the Civil Aviation Purchasing Service (CAPS) Funds indicates that a settlement agreement was signed in late 2002 by Tripal and ICAO. To date, Vietnam has not signed the agreement. Under the settlement, an amount of US\$1.3 million is payable by ICAO, on behalf of itself and of Vietnam, to Tripal, and a release from all claims and demands, present or future, arising from the dispute, is provided between the parties concerned. The settlement amount of US\$1.3 million plus legal expenses of US\$525 291 were paid by ICAO in December 2002. According to management, to the extent that Vietnam does not fully reimburse ICAO for this amount, the shortfall will be covered by the AOSC Fund.

16. Since 1993, ICAO has been both the executing and implementing agency for a specific UNDP project in Columbia. Government expenditure is recorded for purposes of complying with UNDP regulations and rules, which require the implementing agency to record both its own expenditure and those of the government. Due to the nature and circumstances of this project, such as delays in obtaining supporting documentation, credit adjustments subsequent to year-end and the uncertainty whether the expenditures do in fact relate to the project, further adjustments are likely. Although our audit indicated that expenditures amounting to US\$1.3 million have been identified for this project in 2002, management is of the opinion that these expenditures do not belong to the project. Management could not confirm the validity, completeness and accuracy of the expenditure recorded against the government budget lines. If the expenditure had been recorded, and later determined to be incorrect, this would require a restatement of expenses. This information is disclosed in a footnote to Schedule F.1. We encourage the organization to monitor more closely UNDP expenditures and ensure that the supporting documentation is obtained on a timely basis for the annual audit.

No write-off was submitted for our examination.

17. Financial Regulation 11.4 states that the Secretary General, with the prior approval of the Finance Committee, may write off losses of cash, stores and other assets for individual write-off actions exceeding \$20 000 in original value, provided that a statement of all such accounts written off are submitted to the external auditors with the annual accounts. No write-off was submitted to us for 2002.

## **OBSERVATIONS ARISING FROM THE 2002 PERFORMANCE AUDIT**

### **Technical Co-operation Projects**

#### **Scope of the Audit**

18. The objective of the 2002 audit was to assess how well Technical Co-operation (TC) Bureau managed the projects selected in our sample with regards to the following:

- To comply with relevant authorities, rules and practices of the TC Bureau;
- To demonstrate that adequate planning was undertaken prior to execution;
- To assess and manage risks associated with the projects and related activities;
- To execute in accordance with agreed plans, in an efficient manner;
- To monitor projects to determine whether planned results were achieved;
- To track and report project support costs and realization of benefits on a timely basis and to appropriate levels.

We selected 25 Technical Co-operation projects for the 2002 audit.

19. A sample of 25 projects out of some 200 projects was drawn judgementally to represent most types of funds (Management Service Agreement, Trust Funds, Civil Aviation Purchasing Services and UNDP), the management of projects by the four regional sections of TC as well as other sections of the Bureau. We did not conduct any on-site visits.

20. Last year, our audit of Technical Co-operation covered the risks faced by the Organization with Management Services Agreement. We reviewed the extent of assessment of risks by TC Bureau in all projects selected for this year's audit.

### Background

21. In the United Nations System, technical co-operation has taken many forms over the first 55 years of the UN. ICAO began the execution of technical co-operation (TC) projects as early as 1951. A clear distinction is made between aid and technical co-operation. TC projects should have an institutional base; the development of human resources and the establishment of infrastructure; and, the purchase of relevant equipment in the field of Civil Aviation. While the overall objective of technical co-operation is to assist with building civil aviation capacity within the countries, it is generally accepted by development partners that the developing countries should "drive" the agenda. For a development strategy to be effective, it is essential to build partnerships with the country that is leading the process.

Most projects are financed by the countries themselves or by funding organizations

22. In principle, there is no Regular programme funding of TC activities as there is no requirement in the Chicago convention, the constitution of ICAO, for the provision and financing of technical co-operation with the Contracting States. Thus, most projects carried out under the TC Programme are financed by the countries themselves or by funding organizations on their behalf. The TC Programme for a triennium cannot be determined with any degree of precision until the financing sources of TC projects have been identified.

23. TC Bureau contacts a wide variety of bilateral and multilateral funding sources to persuade them to offer co-operation to civil aviation through ICAO. The conditions under which these diverse funding sources finance assistance to aviation vary widely and must be considered on a case-by-case basis.

24. **New Trends in Technical Co-operation.** To date, the TC Bureau implemented approximately \$1.5 billion worth of civil aviation projects. In the 1990s the source of funding for TC activities has changed dramatically. The United Nations Development Programme (UNDP) is no longer the most important provider of funds as it was for many decades. States enter into bilateral and tripartite agreements with ICAO, thereby providing funds directly to it.

There has been a diversification of funding sources over the past decade.

25. There has been a diversification of funding sources over the past decade. Some countries may use their own funds to finance civil aviation projects while some projects are now funded by third party donor States or funding agencies that include funds for supporting efforts in strife-torn regions. ICAO is also involved in a number of rebuilding and relief projects around the world.

26. In 2002, the Bureau was involved in more than 200 TC projects in about 100 countries. The objectives vary from assisting in developing an international airport, installing complex aeronautical communications systems, recruiting expert assistance to work alongside national specialists, helping an airline train aircraft maintenance technicians, or awarding training fellowships. A project may include a single expert or a large number of experts to strengthen the entire civil aviation department of a Contracting State.

## OBSERVATIONS

### PLANNING

27. Technical Co-operation projects are initiated by a request from a Contracting State, a United Nations Agency or other international organizations. It can also continue the work started in an existing project. In general, the planning phase is done by the Field Operations Section at ICAO headquarters. In some cases, experts are hired to do a planning mission to assess the feasibility of the project. In other cases, a new project may continue the work following the closing of a project and a new agreement is negotiated with the Contracting State and/or with donors.

Overall, we found that planning was done prior to the execution of projects.

28. Overall, we found evidence in the files that planning was done prior to execution of a project. In all cases examined, we could identify what the objective(s) of the project was and how it related to ICAO's strategic objectives for the TC Programme. For example, a project was created in response to a recent safety oversight audit.

29. We found limited information on planning in the 2002 files for some projects, due to the fact that most projects take place over several years. However, we obtained the project document which provided key supporting information and the extent of planning that was done. When combined with other communication documents, such as memos, faxes and e-mails between various stakeholders involved in the process, the project document allowed us to trace back to key planning decisions.

30. We found good examples of decisions that build on known information. In regional projects we reviewed, previous work done by the Planning and Implementation Regional Group and by regional governmental civil aviation meetings was utilized to prepare the project documents and to seek the participation of new partners. Also, in another project file we found that a contractor's mission in a country was combined with that of another, thereby increasing the efficiency of the two projects and reducing the associated project costs.

Project documents usually include key information.

31. The supporting documentation varied considerably from one project document to another. Some Project documents define the problems that need to be addressed, identify solutions and the expected situation at the end of the project. More specifically, project documents usually include:

- "Context" section which is helpful to understand the major or significant characteristics of the development environment of the project;
- important information on the description of inputs or resources required to enable the activities to be carried out by those involved in the project including output, indicators and key activities;
- information on risk factors, roles and the responsibilities of everyone involved in the project; and
- a budget by source of funds or by each responsible institution, according to input.

32. In another project document, we found in the *Context* section references to the Convention on International Aviation as the basis for undertaking the initiative; the specific responsibilities of the State for the oversight of international operations; a history of cooperative safety oversight in the region. In the *Justification* section of the same project document, an analysis of the common obstacles to effective government flight safety oversight is discussed. The document also provided an expected end of project situation, an implementation strategy over the next 30 months and proposed funding modalities for the project.

An analysis of the obstacles that a project proposes to address should be included in the project document.

33. By contrast, we found limited information for the justification of the proposed solution in other projects we reviewed. For example, we found little information supporting a salary structure for the civil aviation authority including the administrative staff. An analysis of such obstacles that a project proposes to address should be included in the project document. This would help to develop an understanding about what the project intends to achieve. There are many other TC projects that could benefit from such analysis as the common obstacles referred to above appear to be endemic to the civil aviation administration of many developing and emerging countries.

### **Roles and responsibilities**

34. A key element of planning projects is to define the roles and responsibilities among all participating parties. The roles and responsibilities of the government, UNDP, ICAO, and any other donor, are outlined in the project document and/or agreements. Generally the responsibilities of ICAO in these agreements were to: *"support and assist the national government in matters related...to civil aviation."*

35. There was evidence on file of assessment of initial draft agreements or contracts. In one case involving new donors, we noted that there was an extensive review of the new donor's provisions in the agreement to assess compatibility with ICAO's rules. However, there was no checklist indicating when drafts of the agreement or contract were reviewed initially by TC Bureau and, by both the Legal Bureau and Finance Branch in cases where their input was considered necessary. The purpose of such a review checklist would be to ensure that important terms and conditions are covered and highlight whether other sections of the agreement or contract have been modified or changed since the previous draft and the extent of any further review deemed necessary.

36. However, management has indicated to us that the use of model agreements and contract terms and conditions in the formulation of projects helps them to ensure that respective roles and responsibilities are clear even when specific clauses need to be adapted to a changing environment.

### **Overhead**

37. The Bureau's operational costs are financed mainly from the overhead charges that are levied on actual project expenditures of the Technical Co-operation Programme. An overhead rate is established during the planning phase of the project, according to guidelines that vary for each type of project. Overhead charged for Civil Aviation Purchasing Services projects is established according to the following formula: 6 percent of the total value of the purchase order for those valued \$10,000 to \$100,000; and 4 percent for those valued \$100,000 to \$500,000. For purchase orders that exceed \$500,000, procurement overhead shall be negotiated with the country. As well, charges for technical services for any given procurement shall be negotiated separately.

Overhead rates are negotiated with the Contracting State and vary for each project

38. In the case of trust fund agreements and Management Service Agreements, we found that the overhead rates are negotiated with the Contracting State and that they vary for each project. The Bureau's Administrative Manual indicates that a standard overhead rate of 13 percent should be applied to trust funds. For Management Service Agreement projects, the Bureau's Field Operation Manual, Chapter 4 indicates that: *Under a Management Service Agreement, the cost of providing the service is calculated so that all management and administration costs incurred are recovered.* As a result, overhead rates for Management Service Agreement projects should be negotiated on an individual, cost-recovery basis. However, an inter-office memorandum dated July 2000, indicates that the new standard rate for trust funds and Management Service Agreements is 10 percent. Management informed us that this memo was in response to a request from Contracting States to lower project overhead rates as well as meeting Council's concerns.

39. In the projects we reviewed, we found that the information provided about calculating and negotiating overhead rates is very limited. In general, the only information that is available is provided in the project budgets. This information shows only the total annual handling charges that will be charged to each project. Moreover, with the implementation of the new UNDP guidelines, we found, in some cases, that the overhead amounts were no longer presented separately in the budget. Rather, they were included in each component line of the budget.

A formal process to document the negotiation or the rationale supporting project's overhead is needed.

40. Managers told us that there is no formal process to document the negotiation process or the rationale of the rate chosen. In general, the negotiations are based on the standard 10 percent overhead rate, which can be adjusted according to the complexity and value of the project, as well as previous project experience with the country. Once an understanding is reached between ICAO and the donor or Contracting State, the final rate is approved by the Bureau's Director and is included in the project budget.

It is difficult for a project manager to assess the actual costs for managing and reporting on technical co-operation projects

41. We are concerned about the lack of documentation that is available on file on overhead charges—particularly for management service agreements—where charges should be based on cost recovery. In our view, because there is no justification for establishing overhead rates, including those for management activities, it is difficult for a project manager to assess the actual costs for managing and reporting on technical co-operation projects.

#### **Availability of funds**

In files examined, we found that funds were deposited prior to the start of execution of work.

42. The availability of funds deposited with ICAO prior to the organization's entering into any commitment is a stringent requirement of ICAO Financial Regulations. In files examined, we found that funds were deposited, prior to the start of execution of work and/or the contractual obligations. In the case of multi-donors and/or multi-year projects, we found evidence that project coordinators ensured that all committed funds were available at the start of the project and, in some cases, steps were taken to obtain any outstanding funds.

43. In one regional project, a unique formula was developed to determine each country's share of financing of the project. Funding was based on the needs of each State which were assessed on their shortfall of fully qualified operators and airworthiness inspectors.

44. In the case of contracts/purchase orders for long-term projects that require large amounts of funding, the TC Bureau has negotiated with the country the payments in several instalments in accordance with scheduled equipment delivery. Internal instructions have also been issued to the effect that the availability of adequate funds must be certified before orders are shipped to suppliers.

45. The Bureau has also been operating with bank guarantees and performance bonds as financial instruments in contract negotiations. There are now guidelines and procedures to allow the acceptance of confirmed and irrevocable Letters of Credit as a direct guarantee by the banks or financial institutions concerned that ICAO or the supplier will be paid.

#### Assessment and management of risks

46. **The information on risks is inconsistent.** Many of the project documents reviewed included a description of the risks related to the project. However, the information was either limited or very broad. In some Management Service Agreements, the information about the potential risks that could be faced was practically non-existent. In general, we did not find formal or written project risk assessments that were done at the front-end of the project nor at any other stage of the project life.

47. Given that we have included more TC projects in our sample this year, we re-visited some of the issues on risks raised in our 2001 Report. We examined if ICAO faced similar risks and whether these appeared to be confined to one region.

There are several important TC projects in 2002 where the main objective is to assist national governments' civil aviation department's personnel.

48. Our main concern was whether projects that were created to "*assist in the mobilization of human, technical and financial resources for civil aviation facilities and services*" represented new risks for the organization, particularly with the payment of project personnel of national governments and their long-term relationship with the country. The national department of Civil Aviation is usually responsible for the recruitment of its staff, with some occasional input from TC Bureau Field Personnel Section to ensure that project personnel meet the highest standards of qualification and the technical and professional competence necessary for the success of the project.

49. There are several important TC projects in 2002, mostly in the same region, where the main objective is to assist national governments' civil aviation departments and where the payment of project personnel of national governments is a significant component.

Absence of analysis on common barriers or obstacles to establishing flight safety organizations is noted.

50. We note the absence of analysis on common barriers or obstacles to establishing flight safety organizations and the lack of evaluation results on the impact of such projects. Therefore, we are unable to assess if the potential risks that ICAO faces for error or faulty job performance by project personnel at the local level that are not directly under its control, exist or should be considered as low.

51. Management has assured us that, in such projects, a review is done from time to time to establish if the project personnel selected at the local level meet the profile of the job. Furthermore, we did not find evidence in the projects reviewed that the demand for salary parity with private industry by all civil service employees has occurred. In the opinion of management, the likelihood of this happening is very low and not considered a risk.

52. In most procurement cases, potential risks attributable to the contractor are clearly identified in the contract. ICAO has recently taken a measure to minimize risks of doing business in Procurement. For instance, the professional liability insurance policy which provides coverage of up to \$5 million with a deductible of \$250 000 per claim may address potential legal actions from commercial contracts or quasi-contracts.

## **EXECUTION**

### **Field Personnel Management**

53. Field Personnel Section is responsible for the recruitment and the administration of the international experts for the implementation of the TC projects. They also manage the project local staff. Some projects we reviewed involve a large number of local staff that are under the supervision of the Project Coordinator.

54. Documentation reviewed indicates that the Project Coordinator provides the required monitoring reports on the staff management to the appropriate geographic section for information and approval of actions when it is necessary. The geographic section then coordinates the actions with Field Personnel Section who prepares the "Personnel Action Forms" required and returns them to the Project Coordinator. This is done for international experts, locals and nationals.

Overall, field personnel is well managed.

55. Overall, we found that the field personnel is well managed. We found evidence on file that all procedures were followed for the recruitment and the administration of the international experts.

### **Procurement Management**

56. The objective of the Procurement Section is to fulfill in a timely and efficient manner the requirements for equipment, supplies, services and installations which arise from ICAO-executed TC projects. All procurement activities are regulated by the ICAO Procurement Code. Appendix II of the Code covers TC procurement.

Some highly complex procurement cases were well-managed.

57. Some cases are highly complex and difficult to manage as evidenced by the many volumes of information, the frequent changes in the technology to deal with after the bids are received, subsequent change-overs and the fact that many countries are involved in the project. There are situations that call for departure from basic procedures — in the cases of sole source bidding or from limited suppliers, change-overs, delays by the supplier due to technological improvements, etc. Sole source bidding often occurs in cases of same supplier for spare parts.

58. For the cases that we reviewed, Procurement procedures were followed for the selection of the tender (minimum of 3 tenders sought, where required), a technical evaluation of all bids was performed by competent staff and to the satisfaction of the country. As well, where applicable, procurement action was referred to the Contracts Board or Secretary General and appropriate authorization was obtained. We also reviewed supporting documentation for payments made for the TC projects selected. Since changes can be introduced in all phases of procurement, we reviewed the supporting documentation and approvals where changes have occurred.

59. Procurement Section management indicated to us that delays – to allow initial successful bidders to refine their proposals – were common practice in procurement. We reviewed all of the supporting documentation for cases selected to ensure that the procedures were followed and that proper authorities were obtained, where and when required. We were able to establish that such procedures are considered appropriate in the procurement of equipment that is subject to rapid technological advances, such as major computer and communications systems.

60. Where consultants are used throughout the procurement process, we found that their reports were available in all cases reviewed, and that they supported their expertise provided to the project and/or to the Procurement Section.

61. Based on the extensive documentation reviewed, we are satisfied that prompt action was taken by Procurement Section management and staff to resolve any identified problems.

62. **Quality of service.** Ensuring that a Contracting State is satisfied with the services provided is an ongoing concern for Procurement Section management. Since Procurement's approach emphasizes customer satisfaction, we asked how management obtained assurance that the Contracting States were satisfied with the service they receive. In the files reviewed we could not determine if surveys were conducted to assess quality of service, in particular for multi-year and multi-million dollar projects.

63. Procurement Section assured us that management and staff received face-to-face feedback on the quality of its service but that it was informal and not structured. Also, having repeat business from the same States may be an indication that the services were of high quality.

Multiple approaches are needed to effectively listen to customers about their perception of quality of service and needs.

64. It is generally accepted as best practice in the area of customer satisfaction that multiple approaches are needed to effectively listen to customers about their perception of quality of service and needs. As well as face-to-face contact with customers, formal approaches are necessary from time-to-time to obtain unbiased feedback on the quality of service to Contracting States.

## MONITORING

An integrated mechanism for collecting information on project activities and results is needed.

65. Project monitoring allows managers to gather the information required for activity planning and management, to measure progress against established objectives, to apply the required corrective measures, and to report on what has been accomplished. In order to do this, an organization must implement integrated mechanisms for collecting the required information in relation to project activities and results.

66. Activity monitoring, including project site visits and periodic activity reports, allows management to determine if a project is progressing as planned. One of the purposes of these monitoring activities is to document key aspects of compliance with the terms and conditions of the agreement and follow-up on project activities.

67. The Bureau provides guidelines on monitoring and evaluation in its various manuals. However, while planning the project, Field Operations Sections are expected to develop for each project its own monitoring requirements and schedule according to the type of project, the project value and complexity as well as prior experience with the Contracting State.

68. In the projects that we reviewed, we found evidence of monitoring activities but some projects' agreements follow the guidelines on monitoring while others do not. Where they do not, we noted that Field Operations Sections keep abreast of project activities by reviewing ad hoc reports and making informal monitoring such as e-mails, faxes, phone calls. From our interviews with Field Operations Sections staff and our review of files, we were generally satisfied with the monitoring information we found on file.

Informal monitoring is a good practice but it does not provide complete assurance.

69. However, even if we accept the fact that informal monitoring is a good practice, especially for low-value projects, it does not provide complete assurance that all of the terms and conditions of an agreement are respected. As well, we do not believe informal monitoring is a substitute for formal monitoring or project site visits, particularly for complex or high-value projects.

70. Finally, there seems to be no formal structure to gather information on project activities. The information available is fragmented and there are no integrated systems that would allow management to analyze and summarize the achievements of each project.

## REPORTING

71. We reviewed how the Technical Co-operation Bureau is reporting project activities and achievements to the Contracting States, the ICAO Council, and other donors. We expected to find systems and practices in place to allow the Bureau to track and report project administrative support costs. We also expected to find that the realization of the project benefits was reported to the appropriate levels and on a timely basis.

72. As mentioned previously, we found very limited information on the justification of overhead costs that were charged to the projects we reviewed. As a result, it is difficult to track these costs and report them. We found some evidence in the project financial statements about the overhead costs that were charged and the funding that was received for each project. However, we did not find an analysis that shows that the amounts received actually represent the Bureau's recovery of administrative costs. We are particularly concerned about Management Service Agreements, which are formulated and approved on a cost-recovery basis. For these agreements, we were unable to ascertain whether the Bureau's administrative costs have actually been recovered.

Limited information on projects' activities and achievement of their objectives is reported.

73. As for the reporting of project's realization of benefits, we found few final reports. We also found inconsistent information on file on how the projects achieved their objectives. In some cases it was due to the fact that projects were still ongoing. In other cases, some reports were missing, were never presented or an "informal" debriefing was done. In addition, given the constraints in the monitoring systems and practices and the fact that only a number of projects are selected for reporting, limited information on project activities and achievement of their objectives is presented to the Council in the Annual Report. As noted in paragraph 75, one of the proposed measures to improve the efficiency and effectiveness of the TC Bureau includes improvement in reporting to the Council on TC projects and Bureau activities.

74. **Two Council Papers prepared by TC Bureau.** The Bureau prepared two Council Working Papers in 2002. The first paper, *Commercially Oriented Practices*, was presented at the 167<sup>th</sup> Council Session. It discusses the concept of a commercially oriented approach to TC projects, and the potential implications for the Bureau's operations. Through this initiative, the Bureau is trying to address the new, multilateral environment in which technical co-operation projects are being implemented. Council members were unanimous in voicing their concerns that this initiative should not transform the Technical Co-operation Programme into a commercial enterprise, and that it should always operate under ICAO's rules and procedures.

An action plan that includes an integrated monitoring and reporting structure is needed.

75. As part of the follow-up action on the Assembly Resolution A33-21, the second Council Working Paper, *Progress Report on Increasing the Efficiency and Effectiveness of the TC Bureau*, describes the measures being undertaken to increase the efficiency and effectiveness of the Bureau. Among those measures, the Bureau wants to improve the availability and quality of the information provided on project activities and results to the Council. We encourage the Bureau to establish an action plan that includes an integrated monitoring and reporting structure that would provide the organization with the necessary information and flexibility to manage technical co-operation projects.

#### **CONCLUSION AND RECOMMENDATIONS**

76. Overall, we are satisfied that the 25 Technical Co-operation projects reviewed were managed according to ICAO's rules and procedures. We noted that the TC Bureau is adapting to a changing environment, a diversified client base, in particular, some new donors other than Contracting States, and United Nations-led projects. This creates new challenges in the management of Technical Co-operation projects.

77. In conclusion, we noted the importance of specific areas for improvement such as the need for better documentation of project justification including a risk analysis and supporting information on the overhead rate charged, as well as to formalize the approach for monitoring and reporting project activities and achievements.

78. We recommend the following:

- Project documents should include relevant information for the justification of the proposed project including formal analysis of the barriers faced by the Contracting State.
- A checklist should be adopted for documenting the review of draft contracts or agreements.
- Sufficient information and documentation should be provided on the overhead rate to be charged at the planning phase of the project, tracked over the duration and reported on a timely basis.
- Project risk assessment should be improved by:
  - Completing a profile of potential risks to be considered at various phases of a project;
  - Assessing formally the potential risks for projects involved in assisting human resources development of a national civil aviation department; and
  - Re-assessing periodically its analysis of risks in the case of multi year projects.

- A formal approach should be used to obtain feedback on the quality of its procurement services to Contracting States.
- Continuation of its efforts to establish an integrated monitoring and reporting structure that would provide it with the necessary information and flexibility to manage technical co-operation projects.

**REGIONAL OFFICES,  
WITH SPECIAL REFERENCE TO THE ASIA AND PACIFIC OFFICE (BANGKOK)  
AND THE EUROPEAN AND NORTH ATLANTIC OFFICE (PARIS)**

**Introduction**

We examined the ongoing and broader relevance of previous recommendations about regional office performance.

79. We examined some important regional office performance issues that had been identified in previous long-form reports. We tested the ongoing and broader relevance of these recommendations at the Asia and Pacific Regional Office in Bangkok, Thailand and at the European and North Atlantic Regional Office in Paris, France in February and March 2003.

80. We had four audit objectives:

- to assess processes for planning, managing and reporting on regional office work and staff, especially for air navigation and air transport matters;
- to examine progress made in implementing the “concrete steps for the enhancement of regional office performance and improved programme delivery” listed in C-WP/11466, section 4;
- to identify issues and challenges at headquarters, such as regional co-ordination, including co-ordination with regional civil aviation bodies, if applicable; and
- to follow up on the progress of implementing recommendations from previous long-form reports on regional offices, in particular the responses of the Secretariat to our 2001 Report in C-WP/11813, Addendum No. 2 (27/5/02) — a formal annual review of plans with each regional office and better reporting of results from regional offices.

81. We visited the two regional offices to review the context in which they operate, and traced the field issues back to headquarters to try to determine their causes. As a result, some of our findings may apply more generally to other regional offices. Our work included the following:

- interviewing the Regional Directors, Regional Affairs Office (RAO) staff, and selected staff at headquarters;
- reviewing Council and Assembly working papers, files, regional office reports and reports of the Office for Programmes Evaluation, Audit, and Management Review (EAO); and
- field visits to the Bangkok and Paris offices.

Terms of reference for regional offices are very broad.

82. The regional offices’ objectives are described in the Regional Office Manual. They are very broad, as they are based on article 44 of the Convention, which provides ICAO’s overall objectives. These objectives are to develop the principles and techniques of international air navigation and to foster the planning and development of international air transport to do the following:

- ensure the safe and orderly growth of international civil aviation throughout the world;
- encourage the art of aircraft design and operation for peaceful purposes;
- encourage the development of airways, airports, and air navigation facilities for international civil aviation;
- meet the needs of the people of the world for safe, regular, efficient and economical air transport;
- prevent economic waste caused by unreasonable competition;
- ensure that the rights of Contracting States are fully respected and that every Contracting State has a fair opportunity to operate international airlines;
- avoid discrimination between Contracting States;
- promote safety of flight in international air navigation; and
- promote generally the development of all aspects of international civil aeronautics.

Regional offices account for about 25 percent of ICAO's 2002 budget expenditures.

83. There are seven regional offices that are co-ordinated by a small Regional Affairs Office located at headquarters. The total budget of the regional offices was about \$13.7 million in 2002, which accounts for about 25 percent of ICAO's budget expenditures for 2002. The budget for the Regional Affairs Office is about \$1 million for 2002, of which \$375,000 is earmarked to the Regional Offices for contractual services.

84. Each office is headed by a Regional Director who reports to the Secretary General. The staff carry out their duties under the general guidance of the directors of the headquarters bureaux. As noted in a recent Office for Programmes Evaluation, Audit, and Management Review (EAO) report, "the Regional Office Manual lists a series of tasks on which each Bureau Director may provide direction to the regional offices. These encompass almost all the activities undertaken by the Organization." But headquarters has not established priorities among these tasks for the regions.

85. This table shows the approved Programme Budget and staff for the Bangkok and Paris regional offices.

<b>Budget (\$ thousands)</b>	<b>Bangkok</b>	<b>Paris</b>	<b>Average for all Regions</b>
2002	1770	2764	1900
2003	1839	2847	1950
2004	1884	2941	1995
<b>Staff (work months)</b>			
2002	288	376	280
2003	288	376	280
2004	288	376	280

86. The Paris Office has some unique features. The European Civil Aviation Conference (ECAC) personnel are located at the Paris Office's premises. The Paris Office provides secretariat services to ECAC and is reimbursed for services rendered. Also, Eurocontrol has allocated some resources for some activities that are performed on behalf of ICAO.

87. Both offices that we visited had a few approved posts in the professional category that had not been filled. The Bangkok Office had three vacant officer positions while the Paris Office had two. Furthermore, staff members at the senior level and those occupying key posts at both offices will reach mandatory retirement age within the next few years.

Regional Office Manual has been updated but descriptions are still broad.

88. The 1993 descriptions in the Regional Office Manual have recently been updated, but they are still very broad. For example, the Manual states that regional offices are primarily responsible for maintaining continuous liaison with States to promote implementation of ICAO policies, decisions, standards and recommended practices (SARPs), and air navigation plans. They must also provide technical assistance when requested, with help from regional planning and implementation groups. The Manual also gives regional offices an important role in fundraising: "Maintain information and foster talks with the representatives of funding sources within the region interested in the development of civil aviation and establish effective relations with them."

89. Regional offices are responsible for three objectives in the Strategic Action Plan. These are as follows:

- fostering the implementation of SARPs;
- planning, co-ordinating and implementing regional air navigation plans and new air navigation systems; and
- responding in a timely manner to major challenges to the safe, secure, and efficient development and operation of civil aviation.

Regional Office activities support ANP which is the responsibility of States.

90. Regional office activities, in support of these objectives, focus on regional air navigation planning. The continuous development of the Air Navigation Plan (ANP) is a primary concern of regional technical officers who, through their day to day contacts, prepare planning papers, formal meetings, missions and technical co-operation projects. However, implementation of the ANP is the responsibility of States.

### Observations

Good processes for planning and managing workload noted.

91. In general, the two regional offices had good processes for planning and managing their ongoing work, and for coping with unplanned work and staff shortages, although both processes could be improved.

Headquarters has not established priorities among these tasks.

92. **Planning:** Given the broad objectives of the regional offices, it would be useful if they had some direction in setting their priorities. The documents that provide overall policy and administrative guidance - the Strategic Action Plan, the Programme Budget and the Regional Office Manual - are broadly worded, so that almost everything the regions do will coincide with those documents. They provide little help in setting priorities, for example, guidance about what work regions should cut back if safety or security issues require more attention, or if they need to develop contingency plans. Both regions commented that this was a problem for them.

Paris Office's initiative in business planning.

93. A few years ago, the Paris Office tried to fill this gap by drafting a business plan for the European region (see Case 1). The plan included useful information and analysis of the technical, business and institutional environment in Europe, as well as the Office's strengths, weaknesses, opportunities and threats. It also identified work that could be set aside to make way for new priorities. The plan was never completed, and the Regional Affairs Office's initiative to extend the process of business planning to all regions and to headquarters was not successful. The Secretariat's response to our report last year indicates that the initiative of business planning will be resurrected, but as yet no action has been taken. In our view, business planning merits reconsideration, particularly now that the workload is changing, key senior staff are retiring, and the prospects for additional resources are slim. While some may fear that the time spent on business planning will detract staff from operational matters, this case does not support that view.

### **Case 1: Business Planning**

The idea of preparing business plans for each of the regional offices began with a Task Force on Regional Activities that took shape at a senior staff meeting in the Secretariat in September 1996. The task force's terms of reference were announced in the Secretary General's IOM of 6 December 1996 and included examining human resources for core activities, training, office automation, delegation of financial authority, business plans for each regional office, and a common automated accounting system.

Business planning exercise still relevant.

The Chief/RAO was interested in regional business plans, which the European and North Atlantic Office also supported. Over a period of about six months in late 1996 and early 1997, the Regional Director and Deputy Regional Director of the Paris Office led their staff through a series of six, full-day meetings to prepare a draft business plan for 1997–2001. The plan discusses key factors, including the following:

- a description of the European environment;
- the institutional and technical environment in which the Office operates;
- the Office's partners and customers and the choices they have;
- the Office's strengths, weaknesses, opportunities and threats, new strategies, priorities and goals; and
- consideration of what work could be set aside to make way for new initiatives.

This work was carefully done, as indicated by the fact that six years later, many of the challenges it discussed are still relevant, and some could still apply in the current budget exercise.

Because of the need to concentrate on regular work, there was not enough time to develop detailed information about activities and specific results that could be used for planning beyond the immediate time period. However, a draft business plan was sent to headquarters and eventually circulated to other regions. As a result, the Nairobi office also drafted a similar business plan.

Planning exercise provided a foundation for some of that office's future planning decisions.

We encourage ICAO to complete business planning for all regions.

The Chief/RAO strongly supported these initiatives and wanted to develop them further. During discussions, several important preconditions were identified. These are: the need for assistance and direction from headquarters in the form of a common approach, an overall business plan for ICAO, and external assistance to prepare the business plans. Although some further work was done, the process of preparing business plans stopped before the subsequent triennial budget exercise began. Other initiatives to improve the efficiency and effectiveness of the regional offices have continued, such as expanding the distribution of electronic documents and developing staff members' project management skills. The Paris Office does not regret the time it has spent on the business planning exercise, even though it failed to clarify its responsibilities and workload in the context of the major global issues. However, the exercise has provided a foundation for some of that office's future planning decisions.

**Conclusion:** The process that was followed may be worth considering for application on an organization-wide basis. We encourage ICAO to complete business planning for all regions. In the dynamic global civil aviation environment where ICAO's resources have been stretched to the limit, a discussion of expected results, threats and opportunities — especially at the regional level, can help the development of more realistic strategies and practical plans. Strengthening regional planning would have to be tied in to ICAO's overall initiatives such as the global CNS-ATM plan and the Universal Safety Oversight Audit Programme. It would also entail costs for travel and the time senior and professional staff would have to devote to the project. However, it could have important benefits including:

- helping to define the results of regional work more clearly;
- improving communications with headquarters, the Council, and other key partners and stakeholders; and
- addressing issues that would have serious budget implications, such as the extent to which regions could help implement regional plans, and address deficiencies.

94. **Managing:** Even without a strategic plan, we would have expected to find an operational plan with specific outputs and target dates. The Programme Budget would normally be the source of this information; however, it has not been helpful. The budget includes a list of outputs that are not specific or quantifiable, and has few target dates. For example, there are 11 outputs for air navigation activities for each regional office (the same list is repeated for each regional office), but only two of them have target dates.

Schedule of meetings and missions is key workload planning and management tool.

95. Without clear priorities, Regional Directors and their deputies must balance requests from Contracting States and headquarters, with other needs, and ongoing responsibilities, as well as allocate the available resources as best they can. While there is no formal operational plan in either region, the key workload planning and management tool used is a schedule of meetings and missions for the year, which is regularly discussed and revised. New listings are added well ahead of each event, and the States are notified. Each region also developed their own guidance and checklists on how to prepare for meetings. The Paris Office follows a process for reviewing the necessity of attending certain meetings with a view to streamlining the number and reducing the length of meetings.

Coping with resource shortages.

96. The Paris Office attempted to avoid any duplication of effort because of resource shortages. At times, ECAC staff may represent ICAO at various workshops or seminars such as those that relate to security matters. Eurocontrol performs some activities on behalf of ICAO such as frequency management and the ICAO Codes and Route Designator (ICARD) system. As a result of devolution of certain ICAO activities, the Paris Office's role is changing and the profile of its employees reflects its changing role. As a result, it remains to be determined whether other regional offices will be affected in a similar way.

97. We also found that professional staff have a good appreciation of each other's workload; how much time they should allow for regular meetings and other ongoing activities; and, how much time they should leave for unexpected priorities, such as requests for advice from States, or the need to prepare contingency plans.

Little information available about consequences of lack of needed resources.

98. Although workload appears to be heavy, it is difficult to judge the impact it has on the offices' operations without an operational plan, workload statistics, and better results information. With these tools, the consequences of the lack of needed resources would be evident. For example, delaying workshops or cancelling meetings or missions could cause embarrassment for ICAO and could prolong operational risks. Other consequences are not so apparent, but important to recognize. For example, they could have adverse effects on staff morale, failure to meet States' needs and missed opportunities for technical co-operation business development. While lack of resources may have caused problems in the past, there is little information available about such consequences.

Regional Directors' involvement in budget decisions is needed.

99. Some staff have attempted to analyze and quantify how they spend their time to help them estimate future workloads and prepare budgets. Others considered the effort to plan and measure workload a waste of time because it did not result in the allocation of additional resources in previous budget exercises. As noted in our report last year, there is a need to involve Regional Directors in budget decisions by presenting and discussing their proposed work programme each year at headquarters. In our view, analyzing workload statistics at headquarters could be used for estimating and comparing staff requirements for all regional offices in the future, including decisions about core functions and the appropriate levels.

100. All staff identified their goals in their personal performance reviews. While these were prepared to assess individual rather than organizational performance, most of the goals were related to workload and about half of them included target dates. This demonstrates that it is possible to prepare work plans that have specific outputs. The next step would be for staff to add their expected results and report periodically on their achievements to the Regional Director, Headquarters and Contracting States.

Reporting comparisons of planned and actual results is needed.

101. **More could be done to identify and report the accomplishments of regional offices.** This observation expands upon the recommendations we made in 1997 and again last year in favour of performance reporting. As reported last year, regional monthly reports are not performance reports. Rather, they are primarily a list of events and activities. However, we note that the Paris Office monthly reports follow a more succinct, informative format. But we have seen no monthly reports that include comparisons of planned and actual outputs or results, nor any periodic reports that adequately explain the accomplishments of the work done by the regions.

Performance reporting should hold the regions accountable.

102. Good reporting should begin with a budget and a plan that preferably includes a quantifiable performance target, a target date, and a base line against which progress can be measured. There are no regional office plans that outline the results or benefits expected from projects, meetings and missions. Programme V of the triennial Programme Budget for 2002-2003-2004 has a section entitled "expected results" that includes performance indicators. However, it does not hold the regions to account for the budget they receive. Most of the statements are activities, not results, and there are no performance targets or target dates of any sort. The same list of vague results and outputs is repeated for each regional office.

103. Some examples of regional results are:

- a reduction in the rates of airline accidents, incidents or deficiencies;
- an increase in capacity or reliability of systems; and
- the introduction or improvement of routes that resolve differing opinions among States, save time for the travelling public, lower costs for airlines, and improve the environment by reducing fuel requirements.

Performance against expectations not tracked or reported to headquarters.

104. In the regions visited, we found that professional staff did not normally record in writing the expected or the actual results of their work, although they were happy to talk about them, and other relevant performance measures. These included meeting the general expectations of their Contracting States, and meeting deadlines. Performance against these expectations was generally not tracked or reported to headquarters.

Excellent example of ICAO's leadership.

105. Although the offices we visited have not reported their results either internally or externally in a systematic fashion, there are some exceptions. An excellent example is provided in Case 2, which deals with the Europe Middle East Asia route restructuring south of the Himalayas (EMARSSH) project, which achieved significant quantifiable benefits in part because of ICAO's leadership. This is one project that has received more attention than most, although the reporting of EMARSSH could have been better. There are other projects that generate quantifiable benefits, such as the Reduced Vertical Separation Minima project. As well, some projects like the preparation of Y2K and other contingency plans may not lead directly to measurable benefits but can be assessed by using feedback from clients. In summary, better information on planned and actual results could be presented to help the Council and ICAO's senior management assess the performance of the regional offices. It would provide a fair and more objective basis for resource allocation decisions.

The Bangkok Office played a leading role in EMARSSH.

### **Case 2: The Success of EMARSSH**

In 2001-02, the ICAO Asia and Pacific Office played a leading role in introducing a new network of air routes that connect South and Southeast Asia, the Middle East and Europe (EMARSSH). Rationalization of routes is not an unusual ICAO activity, and there are several others under way. However, this project was a major accomplishment that required considerable effort over a period of 20 months to bring together and reach agreement among civil, military and industry representatives in 32 States and in 3 ICAO regions.

By early 2000, aviation authorities, the airlines and the International Air Transport Association (IATA) were already discussing ways to improve the complicated criss-crossing of routes from Asia to Europe. The subject had been raised by the IATA Joint Route Development Group as well as at ICAO regional meetings such as the Asia-Pacific Regional Planning and Implementation Group. IATA, ICAO and many other interested parties had worked together the previous year in preparing a Y2K contingency plan for the region. As a result, the contacts were well developed. With support from these contacts, as well as various ICAO planning groups and the Air Navigation Commission, the Bangkok Office organized and chaired a task force that brought the participants together. They met eight times between February 2001 and November 2002, when the routes were approved.

Each task force meeting examined a part of the route, beginning at points that are the furthest south, and worked out conflicts, requirements, co-ordination issues, transition plans and other practical details. As the international organization responsible for the routes, ICAO was able to bring the various States together to discuss the routes, and suggest ways to work out their differences. IATA also played a key role in helping the participants reach agreements in some particularly difficult areas such as Afghanistan. Not only were the routes straightened out and shortened, but by using modern communications and navigation equipment, the distances between them were reduced, allowing more planes to operate in the available airspace. For the most part, the new routes have been designed to run parallel, for example using 50 nautical miles lateral and longitudinal spacing across the Bay of Bengal and the Arabian Sea.

This new route structure is expected to result in significant economic, time-saving and environmental benefits. It has been estimated that the airlines will save in the range of \$40 million annually; flight times will be reduced by up to 30 minutes; and at least 25,000 tons of aviation fuel will be saved every year. This success has been reported in internal memoranda, in a press release, in the ICAO Journal and in various speeches. The project was not mentioned in the programme budget for 2001 or 2002. In the 2001 Annual Report of the Council, EMARSSH is briefly mentioned (Appendix 16, page A-87) as an issue that needs to be addressed, and in the Council's 2002 Annual Report, although the benefits are not stated. Some of the task force reports are available on the ICAO Web site, but the benefits are not stated.

**Conclusion:** This project supports ICAO's mandate to improve civil aviation by generating quantifiable benefits for ICAO's clients — both those who provide airspace and those who use it. While this is a particularly dramatic example of a regional accomplishment, it is not unique. ICAO staff are now working on other time-saving improvements, such as, developing or expanding polar routes in the North which needs the co-operation of many countries. Other projects that reduce vertical separation between airplanes have been implemented in the past few years, thus increasing the capacity of the airspace in crowded areas by measurable amounts. Such achievements often depend on new technical developments and the co-operation of many other partners, including assistance from ICAO headquarters, which can play a leadership role. Potential benefits are not generally discussed in budget documents, nor are actual accomplishments reported after the work has been done. For example, regional office monthly or annual reports focus primarily on activities and outputs, assuming that the reader will know there are benefits. Just because it is difficult or even impossible to measure the benefits precisely and sort out the contributions of each party, this should not deter ICAO from reporting them, or any other qualifications that may be appropriate.

Potential benefits derived from projects are not generally discussed nor well reported.

Accomplishments should be published.

106. In our view, ICAO Regional Offices should report potential benefits in their budgetary plans, and actual benefits from their work in their monthly reports to headquarters. Accomplishments could also be published in the Council's Annual Report, along with any appropriate caveats about attribution.

Regional offices should share improvement ideas amongst themselves.

107. **Regional offices are taking steps to improve their efficiency and effectiveness, but improvements are seldom reported to or recognized by headquarters.** As noted in last year's report on the Lima Office, many recent Council and Assembly documents have discussed ways to improve the efficiency and effectiveness of regional operations. In particular, C-WP/11466, section 4 lists 10 administrative improvements. This year we once again found that there are no efficiency goals or progress reports associated with these actions, and that little recognition was given to regions that achieve results. This is unfortunate because some regions are making improvements and this information should be shared. For example, we note that the Bangkok Office has developed a manual that helps States prepare for meetings. As well, the Paris Office has reduced the length of meetings, has stretched its travel budget by purchasing reduced air fares and has downloaded work to technical assistants. These achievements deserve recognition. We also believe that more could be done to exchange improvement ideas among the regions.

Informal contacts appear to work well.

108. **Opportunities exist to strengthen co-ordination between headquarters and the regions.** We asked all field officers who they dealt with at headquarters to exchange technical information and how efficient their communications were. We asked headquarters staff the same questions. Direct informal contacts appear to work well and the use of email has improved the convenience, speed and frequency of communications considerably.

Meteorology Section's example of sharing information with the regions should be followed.

109. There are opportunities to improve reporting from headquarters to the regions. While the regional offices send monthly reports to headquarters, only the Meteorology (MET) Section of the Air Navigation Bureau sends a monthly report to the regions to inform them of developments, at headquarters and elsewhere that might affect their professional work. Other sections at headquarters could follow the MET example.

110. Opportunities for regional staff to visit headquarters are rare, but in 2002 the Aerodromes and Ground Aids Section held a meeting for all the technical officers. Also, field air transport officers have recently attended the International Air Transport Conference. Regional staff in these sections stated that such initiatives help promote teamwork.

111. Regional staff also expressed a need for electronic access to certain data, such as ANC minutes and the Regional Office Manual. They also voiced the need for ongoing development and training which is non-existent.

### Conclusion and Recommendations

Appropriate steps taken to manage workload but more could be done on reporting results.

112. We found that the two regional offices had good process for planning and are taking steps to manage the ongoing workload and budgets, and to achieve their broad objectives. Staff appears focussed on important work. Within the wide latitude provided by the Regional Office Manual, technical officers have a good appreciation of their workload priorities, and of some relevant performance measures, for example, the general expectations of their Contracting States, and the need to meet deadlines. More could be done to identify, monitor and report the results of regional work.

Little progress made on findings from previous reports.

113. We noted similar issues that were previously reported and for which little progress has been made, such as the need to clarify regional responsibilities, particularly for performance reporting. There is an opportunity this year to provide a sound base for performance reporting during the preparation of the next triennial programme budget, and for clarifying the role of regional staff by revising the Regional Office Manual.

Formal review of regional office plans is needed.

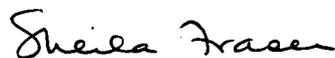
114. Prior year's recommendations are also valid for these regional offices. We re-emphasize the following recommendations:

Better reporting of results and accomplishments is needed.

- The Secretary General should institute a formal annual review of plans with each regional office. This review should involve representatives from each headquarters bureau and should focus on planned results and the expected costs required to achieve them. This will enable realistic priorities to be identified and agreed upon.
- The roles and responsibilities of regional offices should be clarified and the Regional Office Manual should be revised accordingly and made available in electronic format.
- Regional offices should report the results, the resource costs, and the variances from plans for all major activities such as air navigation planning and implementation, air transport planning, and management improvement initiatives. This would apply to both internal reporting to headquarters throughout the year, and in the Annual Report to the Assembly.
- Regional Offices should report potential benefits in their budgetary plans, and actual benefits from their work in their monthly reports to headquarters. Accomplishments could also be published in the Council's Annual Report, along with any appropriate caveats about attribution.
- Regional Offices should promote sharing of experiences and best practices amongst themselves.

#### ACKNOWLEDGEMENT

115. We wish to express our appreciation for the co-operation and assistance extended by the Secretary General and his officers and their staff members.



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