



ASSEMBLY - 35th SESSION

EXECUTIVE COMMITTEE

Agenda Item 13.2: Transition to a New Policy on Technical Co-operation

SUMMARY

This paper is a preliminary report on the follow-up action on Resolution A33-21, Update of the New Policy on Technical Co-operation. It provides an update on the progressive implementation of the core staff concept, the integration of the Technical Co-operation Bureau (TCB) into the Organization's structure, and the operation of the ICAO Objectives Implementation Funding Mechanism. The paper provides information on the development of a quality assurance function as a service to be offered by TCB to Contracting States, and the progress of the development of a commercially oriented approach to the management and operation of TCB. The paper also proposes to update the New Policy on Technical Co-operation, and presents a consolidated resolution regarding all technical cooperation activities and programmes.

1. INTRODUCTION

1.1 The 33rd Session of the Assembly, upon consideration of A33-WP/193, EX/1 - Transition to a New Policy on Technical Co-operation, adopted Resolution A33-21. In *Resolving* Clause 12 of the Resolution, which is the subject of this paper, the Assembly directed the Council to report to the next ordinary Session of the Assembly upon the plan and the measures taken in its implementation and to prepare a consolidated resolution concerning all technical cooperation activities and programmes.

2. PROGRESS OF THE IMPLEMENTATION OF THE NEW POLICY ON TECHNICAL CO-OPERATION

2.1 Increased efficiency and effectiveness, and improved productivity in the operation of the Technical Co-operation Bureau (TCB) in the past three triennia are directly linked with the ongoing implementation of the New Policy on Technical Co-operation. Introduced primarily in response to the chronic deficit that hampered the operation of TCB for almost 10 years, this policy was endorsed by the 31st Session of the Assembly with the aim of increasing the Technical Co-operation Programme and maximizing its implementation, while minimizing its operational costs. As a result, the financial situation of the Programme was significantly improved, the deficit of the AOSC was eliminated and a surplus was achieved

in the past six years, except for year 2002, while cost savings were realized by reducing the staffing levels in TCB. The Technical Co-operation Programme increased from US\$39.9 million in 1993 to an estimated US\$93.2 million in 2003.

2.2 In principle, the New Policy is based on the progressive implementation of the core staff concept, the integration of the TCB into the Organization's structure, and the establishment of the ICAO Objectives Implementation Funding Mechanism. The objectives of this New Policy emphasize the global implementation of ICAO Standards and Recommended Practices (SARPs) and Air Navigation Plans (ANPs) as well as the development of the civil aviation infrastructure and human resources of developing States in need of assistance from ICAO.

2.3 The Assembly, in its Resolution A33-21, instructed that a quality assurance function be developed to be offered to States for projects being implemented by parties other than ICAO, on a cost-recovery basis, and that commercially oriented practices be introduced to the activities of the Technical Co-operation Bureau. An update on the implementation of the above-mentioned elements is provided below.

3. PROGRESSIVE IMPLEMENTATION OF THE CORE STAFF CONCEPT

3.1 The core staff concept was introduced by the 31st Session of the Assembly as the minimum permanent staff required to perform ICAO Technical Co-operation Programme activities, including advisory/regulatory activities, as well as the implementation of a programme of US\$25 million. The concept is based on the principle of attrition by which posts becoming vacant are either not filled or are filled by staff transferred within the Bureau when qualified. For a larger programme, additional temporary staff are recruited, as required. The number of staff must be commensurate with the actual programme size. It was originally estimated that this core staff would be around 40, with additional temporary staff to be hired to deal with a programme larger than US\$25 million.

3.2 TCB staff, including the staff in the Regular Programme funded by the AOSC budget, were progressively reduced from 258 in 1984 to 75 in 2003. Within TCB, over the past 3 triennia, permanent staff have been reduced, as necessary and feasible, to an appropriate and sustainable level based on a more realistic programme implementation size. This has allowed an adequate balance to be established between the actual programme size (income) and the number of staff (expenditures) by maintaining only the minimum permanent staff required for the development and implementation of the Programme. Important cost savings have been realized by TCB by freezing posts in the various sections and further redefining priorities, and instead utilizing the services of temporary staff and consultants on short-term assignments to perform specific tasks, as required. It should be noted that the Programme size has been stabilized and has been consistently in excess of US\$60 million, with an implementation rate of 80 to 85 per cent, which is considerably higher than the anticipated implementation of US\$25 million linked to a core staff of 40. Thus the need to establish a new permanent staffing level commensurate to the average programme implementation, currently estimated at around 60 staff, excluding Regular Programme staff funded by the AOSC budget.

4. INTEGRATION OF TCB INTO THE ORGANIZATION'S STRUCTURE

4.1 With relation to the progressive integration of TCB into the Organization's structure, the Assembly, in its Resolution A33-21, stipulated that further integration of ICAO's activities should be achieved through clear delimitation of each Bureau's mandate, enhanced cooperation and coordination of their respective activities, to avoid duplication and redundancy. In reaffirming that the Technical Co-operation Programme is a permanent priority activity of the Organization that complements the role of the Regular Programme in providing support to States, it distinctly aligned this activity to the global implementation of ICAO SARPs and ANPs, the fostering of which is one of the most prominent Strategic Objectives of ICAO. The Assembly further noted that the Technical Co-operation Bureau is one of the main

instruments of ICAO to assist States in remedying the deficiencies identified through ICAO's assessments and audit activities. In this regard, it recognized that by providing funds from extra-budgetary resources, ICAO will allow the Programme to expand its services to States in the areas of safety, security and efficiency of civil aviation. Finally, the Assembly affirmed that the Technical Co-operation Programme should be strengthened at Regional Office and field level to increase its efficiency and effectiveness.

4.2 It should be noted that the Council, while considering the subject of integration in its 149th Session, distinguished between its functional and financial aspects, as follows:

4.3 **Functional Integration**

4.3.1 Functional integration of Technical Co-operation Programme activities with Regular Programme activities is an ongoing process which has substantially progressed since its introduction in 1996, and will continue to evolve during the next triennium. On an Organization-wide basis, the objective therein is to improve productivity, efficiency and effectiveness through increased coordination between TCB and other ICAO Bureaux and the avoidance of redundancy by ensuring that activities are carried out by the best suited organizational unit/staff without duplication of efforts between the Regular Programme and the Technical Co-operation Programme.

4.3.2 In the 2001-2004 triennium, assistance in the implementation of the Technical Co-operation Programme continued to be sought from other Bureaux and Offices of the Organization and was effectively provided, including coordination between regulatory, assessment and audit activities of the Regular Programme and remedial implementation activities of TCB. Accordingly, effective coordination with the Air Navigation Bureau has increased the impact of the Technical Co-operation Programme on the implementation of ICAO SARPs in developing States through the effective monitoring of projects' compatibility with impacted SARPs, and helped to avoid duplication of efforts in the follow-up activities to the Universal Safety Oversight Audit Programme (USOAP). Progress has also been achieved in the coordination between the Air Transport Bureau and TCB in the implementation of TCB's Aviation Security Follow-up Programme for the remedying of deficiencies identified in the audits conducted by the Aviation Security Audit (ASA) Unit.

4.3.3 Improved cooperation between the Regional Offices and TCB in the development and implementation of technical cooperation projects has facilitated project monitoring and implementation, thus increased productivity. Furthermore, with the significant increase in Management Service Agreement (MSA) type projects, and the availability of sources of funding other than UNDP, effective and timely assistance provided by the Legal Bureau in reviewing technical cooperation agreements, procurement contracts and funding arrangements has assisted TCB in broadening its sources of funds and types of projects beyond the traditional ones, while safeguarding the Organization from possible indemnity, liability and damage claims.

4.4 **Financial integration**

4.4.1 In accordance with Resolution A33-21, financial integration should continue to be achieved progressively. Operative Clause 7 confirmed a decision by the Council whereby the costs of the 15 staff in the Finance and Personnel Branches, currently funded by the AOSC budget, were to be progressively transferred to the Regular Programme Budget in the current and subsequent triennia, on the basis of a minimum of three staff per triennial budget. However, due to budgetary constraints in the Regular Programme, financial integration of staff could not be effected, as planned, in the 2001-2004 triennium. The Council also concluded that it would not be feasible to proceed with the gradual transfer of staff in the next triennium. Thus the costs of the 15 staff continued to be reflected in the AOSC part of the triennial budget for 2005-2007, such costs amounting to US\$667 000, US\$686 000 and US\$612 000, respectively.

5. ICAO OBJECTIVES IMPLEMENTATION FUNDING MECHANISM

5.1 Recognizing the need for ICAO to improve its fund raising capabilities, the concept of an “ICAO Objectives Implementation Funding Mechanism (OIFM)” was defined to strategically link the proposed mechanism to the funding of projects in support of the implementation of ICAO SARPs and ANPs. Subsequently, the 31st Session of the Assembly, in 1995, approved the establishment of the mechanism as one of the basic elements of the new policy on technical cooperation. The Assembly, in *Resolving* Clause 10 of Resolution A33-21, continued to encourage States and other development partners to contribute to the mechanism.

5.2 Enhanced mobilization of resources for ICAO technical cooperation activities from development banks, regional and sub-regional organizations, funding institutions and the private sector has been achieved through the establishment of the Mechanism, though not at the desired level. In particular, increased participation of the private sector and the aviation industry has been achieved in the 2001-2004 triennium in the funding of projects implemented on a regional and sub-regional basis.

5.3 However, as far as the actual operation of the mechanism is concerned, it should be noted that despite all efforts to convince Contracting States to contribute to the Mechanism, there has never been any substantial contribution to the general fund. Therefore TCB has since turned away from a generic solicitation of funds to the operation of a project-driven mechanism, where the call for funds is made on a project-by-project basis, be it a regional, sub-regional or country-specific project.

5.4 On the other hand, there has been a consistent increase in funds provided by Contracting States themselves to finance their own civil aviation projects, now accounting for around 95 per cent of the total Programme. Activities financed by Trust Funds, Management Service Agreements (MSA), Government Cost Sharing and the Civil Aviation Purchasing Service (CAPS) are becoming increasingly commonplace. In particular, MSAs progressively increased from US\$0.5 million in 1993 to US\$38.8 million in 2003.

6. COMMERCIALY ORIENTED STRUCTURE AND IMPLEMENTATION MECHANISM

6.1 In recognizing that the new development partners and financing institutions expect from those implementing the projects they finance, expedient and effective project execution, and detailed and real-time information on project activities and finances, as well as compliance with certain of their regulations, which ICAO is finding difficult to comply with under its present procedures, the 33rd Session of the Assembly encouraged the Council and the Secretary General to adopt a structure and implementation mechanism for TCB that would use commercially oriented practices to allow fruitful partnerships with funding partners and recipient States (Assembly Resolution A33-21, *Resolving* Clause 8).

6.2 In considering the subject, the Council acknowledged that, while the Technical Co-operation Programme should continue with its fundamental objective of providing assistance to States under the cost-recovery principle, it was necessary to allow for some flexibility in light of changing circumstances and developments worldwide albeit with the appropriate degree of control and within the rules and procedures of ICAO. This subject is presented to the Assembly for consideration under A35-WP/15, EX/4.

7. REMEDIAL SUPPORT FUNCTIONS OF TCB

7.1 There has been an expansion of the Organization’s traditional regulatory role in the adoption and amendment of international standards and recommended practices to encompass the mandatory auditing of Contracting States for the identification of deficiencies in the implementation of ICAO SARPs, through the establishment of the Universal Safety Oversight Audit Programme (USOAP), and more recently, the Universal Aviation Security Audit Programme (USAP). Considering that the ICAO audit programmes constitute effective tools in focusing support and assistance on the specific needs of Contracting States, the

emerging scenario has led to a changing emphasis on ICAO's technical cooperation objectives to increase TCB's impact on the global implementation of ICAO SARPs by executing and implementing effective follow-up and remedial action. In this regard, the Assembly reaffirmed that the Technical Co-operation Bureau is one of the main instruments of ICAO to assist States in remedying deficiencies identified through ICAO's assessment and audit activities (A33-21, *Resolving* Clause 2).

7.2 Funds earmarked by the Council in the amount of US\$435 000 from the assessment of Contracting States in Arrears were effectively used to develop project documents for remedial action required from Developing States as a follow-up to USOAP audits. The Council also earmarked from the 1999, 2000 and 2001 AOSC surplus US\$100 000 for project development activities for Least Developed Countries. No other funds were earmarked for remedial support in the area of flight safety in the 2001-2004 triennium. In the area of aviation security, the Council approved US\$400 000 under the AVSEC Plan of Action to fund the preparation of project documents as a follow-up to USAP audits.

8. QUALITY ASSURANCE FUNCTION

8.1 As a follow-up action on Assembly Resolution A33-21, *Resolving* Clause 6, the Council considered the development of a quality assurance function as a service to be offered by TCB to Contracting States, upon request, and on a cost-recovery basis, for the supervision of projects implemented by third parties outside the Technical Co-operation Programme of ICAO. In providing for independent assessment, monitoring, evaluation and follow-up of technical assistance projects at any stage of the project cycle, it shall focus on the analysis of the efficiency of project management processes, the quality and effectiveness of the achievement of project objectives, as well as the assessment of the project's actual impact on the implementation of ICAO SARPs.

8.2 It should be noted that the performance by ICAO of the envisaged quality assurance function does not imply in any way a conflict of interest with those entities responsible for the execution of technical assistance projects outside the Technical Co-operation Programme. Accordingly, quality assurance services shall not be provided by ICAO in competition with any third party. Furthermore, this function will be developed in accordance with the Quality Assurance methodology to be applied by ICAO which, at present, is under development. Upon its finalization, the document prepared by the Secretariat shall be sent to Contracting States by means of a State letter notifying the new services made available by ICAO.

9. UPDATING THE NEW POLICY ON TECHNICAL CO-OPERATION FOR 2005-2007

9.1 In assessing the progress of the implementation of the above-mentioned elements of the New Policy on Technical Co-operation, it is recognized that the following measures require updating:

9.1.1 A new permanent staffing level for TCB, consistent with the average programme implementation of US\$60 million should be established at around 60 staff, excluding Regular Programme staff funded by the AOSC budget. For a programme in excess of US\$60 million, temporary staff and consultants should be appointed, as required, for a duration not exceeding that of the programme. In other words, TCB should always establish a balance between the programme being implemented and the staff working on its implementation. This balance should be effected on the basis of avoiding a deficit and ensuring full recovery of costs.

9.1.2 With regard to the financial integration of the 15 staff in the Regular Programme funded by the AOSC budget which could not be effected in the 2001-2004 triennium, the feasibility of transferring all or part of these staff to the Regular Programme budget during the course of the 2005-2007 triennium was considered by the Council, which concluded that further integration should proceed in a progressive way during following triennia, subject to the availability of funds.

9.1.3 In order to further expand TCB's impact on the global implementation of ICAO SARPs, ICAO should continue to give adequate priority and resources for remedial actions to be implemented through its Technical Co-operation Bureau. In particular, new initiatives by the Council to provide funds from extra-budgetary sources for TCB to assist Contracting States in the implementation of SARPs and the remedying of deficiencies, particularly in the areas of Aviation Security and Flight Safety are necessary to support TCB activities.

9.1.4 It has been recognized by the 33rd Assembly that the establishment of fruitful partnerships with funding partners and recipient States calls for the adoption of a new structure for TCB that would use commercially oriented practices in the management and operation of the Bureau. Whereas TCB shall always operate within the rules and procedures of ICAO, under the principle of cost-recovery, a measure of flexibility in some administrative and financial procedures and regulations, albeit with the appropriate safeguards of potential risks is needed in order to accommodate requirements of funding States and third parties. In accordance with ICAO's existing procedures and established approval mechanisms, the review of these procedures and regulations would be coordinated with the Legal Bureau and the Finance Branch, as necessary, and proposed changes would be submitted to the Council for approval, on a case by case basis, as appropriate.

9.1.5 Where globalization, privatization and commercialization have direct implications for the regulation, oversight and enforcement of aviation safety standards, it is important to note that, under the Chicago Convention, these remain the ultimate responsibility of individual Contracting States. Thus the need to open the provision of technical cooperation by ICAO to non-State entities (public or private) directly involved in the provision of civil aviation services, in furtherance of ICAO objectives. A principal objective will be to encompass those activities that were traditionally provided by national civil aviation administrations and are being privatized to some degree, where the State shall, nonetheless, continue to respond for the quality of the services provided and their compliance with ICAO SARPs.

9.1.6 A quality assurance function is being developed by ICAO in response to the request of the 33rd Assembly, as a service to be offered by TCB to Contracting States, upon request and on a cost-recovery basis, for the supervision of projects implemented by third parties outside the ICAO Technical Co-operation Programme. States are encouraged to take advantage of the services offered.

10. FINANCIAL IMPACT OF THE PROPOSED ACTION

10.1 The Technical Co-operation Programme is funded from contributions made outside the ICAO Regular Programme Budget, generally by recipient States themselves. For the 2005-2007 triennium, the cost of the 15 staff in the Regular Programme currently funded by the AOSC budget is not included in the draft Regular Programme Budget, but continues to be reflected in the AOSC part of the triennial budget. The estimated additional cost for the AOSC Budget is set out in the table below:

2005	US\$667 000
2006	US\$686 000
2007	US\$612 000
TOTAL	US\$1 965 000

10.2 As proposed in the AOSC part of the Programme Budget for 2005-2007, in case of a budget shortfall, if no Regular Programme financial support is available, the Technical Co-operation Programme shall use, as additional support, the positive difference from the forward purchase of Canadian dollars, which funds are outside the Regular Programme Budget, and if required, the accumulated AOSC balance of funds thereafter, estimated at US\$7.3 million as at 1 January 2004.

11. ACTION BY THE ASSEMBLY

11.1 The Assembly is invited to adopt the new draft Resolution in the Appendix.

APPENDIX

DRAFT ASSEMBLY RESOLUTION 13.2/1

Resolution 13.2/1

Update of the New Policy on Technical Co-operation

Whereas measures towards a new technical cooperation policy have been applied and A33-21 directed the Council to prepare for its consideration a consolidated Resolution regarding all technical cooperation activities and programmes;

Whereas Contracting States increasingly call upon ICAO to provide advice and assistance to implement SARPs and develop their civil aviation through the strengthening of their administration, the modernization of their infrastructure and the development of their human resources;

Whereas funding institutions expect from those implementing the projects they finance, expedient and effective project execution as well as detailed and real-time information on project activities and finances;

Whereas UNDP funding is directed to development sectors other than civil aviation, and its financial contribution to civil aviation activities has considerably decreased to a level where it represents less than 3 per cent of the ICAO Technical Co-operation Programme;

Whereas civil aviation administrations of Least Developed Countries are, in particular, those who need the most support while, at the same time, they rely most on financial institutions and sector industry to fund their technical cooperation projects;

Whereas, over the 1996-1998, 1999-2001 and 2002-2004 Triennia, integration of the Technical Co-operation Bureau and the implementation of the core staff concept have been pursued and the financial position of the Technical Co-operation Bureau has consequently improved;

Whereas, on an urgent basis, there is a need for effective follow-up and remedial action on the ICAO Universal Safety Oversight Audit Programme (USOAP) and Universal Security Audit Programme (USAP) for providing support to States in addressing the identified deficiencies;

Whereas initial funding provided to the Technical Co-operation Programme from extra-budgetary resources has begun to support TCB in addressing the deficiencies identified in the USOAP and USAP audits;

The Assembly:

1. *Reaffirms* that the Technical Co-operation Programme is a permanent priority activity of ICAO that complements the role of the Regular Programme in providing support to States in the effective implementation of SARPS and ANPs as well as in the development of their civil aviation administration infrastructure and human resources;
2. *Reaffirms* that the Technical Co-operation Bureau is one of the main instruments of ICAO to assist States in remedying the deficiencies identified through ICAO's assessment and audit activities;
3. *Affirms* that further integration of ICAO's activities should be achieved through clear delimitation of each Bureau's mandate and activities, enhanced cooperation and coordination of their respective activities and avoidance of duplication and redundancy;
4. *Affirms* that, within the existing financial means, the ICAO Technical Co-operation Programme should be strengthened, at Regional Office and field level, in order to allow the Technical Co-operation Bureau to play its role more efficiently and effectively;
5. *Recognizes* that, by providing funds from extra-budgetary resources, ICAO will allow the Technical Co-operation Programme to continue and expand its services to States in relation to safety, security and efficiency in civil aviation, thus further contributing to the implementation of SARP's and PIRG's recommendations;
6. *Encourages* States to make use of the quality assurance services offered by the Technical Co-operation Bureau, on a cost-recovery basis, for the supervision of projects implemented by third parties outside the Technical Co-operation Programme of ICAO;
7. *Reconfirms* Council Decision, which states that the integration into the Regular Programme Budget of the 15 staff members working in Finance and Personnel Branches and currently funded by the Administrative and Operational Services Cost (AOSC) Budget should proceed in a progressive way during following triennia, subject to the availability of funds;
8. *Recognizes* the need to expand the provision of technical cooperation by ICAO to the non-State entities (public or private) directly involved in civil aviation, in furtherance of ICAO objectives, to encompass, *inter alia*, those activities that were traditionally provided by national civil aviation administrations and are being privatized to some degree, where the State shall, nonetheless, continue to respond under the Chicago Convention for the quality of the services provided and their compliance with ICAO SARPs;
9. *Requests* UNDP to give more priority to the development of the air transport sub-sector in developing countries and requests the President, the Secretary General and the Secretariat to intensify their contacts with UNDP to increase its contribution to ICAO's technical cooperation projects.

10. *Encourages* States and other development partners, including the industry and the private sector, to contribute to the ICAO Objectives Implementation Funding Mechanism which allows them to participate in the implementation of ICAO's civil aviation development projects;

11. *Approves* that, in case of a budget shortfall, the Regular Programme budget will continue to augment the support cost income earned from projects to support the Technical Co-operation Programme according to the proposal contained in the Programme Budget for the Organization for 2005, 2006 and 2007, subject to the availability of funds;

12. *Directs* the Council to report to the next ordinary session of the Assembly regarding the implementation of this Resolution.

13. *Decides* that this Resolution replaces and supersedes Resolution A33-21.

— END —