



ASSEMBLY - 35TH SESSION

ADMINISTRATIVE COMMISSION

**REPORT OF THE BUDGET WORKING GROUP
ON AGENDA ITEMS 39.1 AND 39.2**

(Presented by the Chairman of the Budget Working Group)

1. The Budget Working Group was established by the Administrative Commission at its first meeting, held on 30 September 2004, to examine Agenda Items 39.1 and 39.2 in accordance with the terms of reference of the Budget Working Group.

2. The following members were appointed by the Administrative Commission to be members of the Working Group:

Mr. M. Boultif	Algeria
Mr. S. Clegg	Australia
Mme V. Dufour	Canada
Mr. J. Ayón Alfonso	Cuba
Mr. M. Belayneh	Ethiopia
Mr. A. Veillard	France
Dr. H. Mürl	Germany
Mr. T. Morishige	Japan
Mr. Q. Zaman	Pakistan
Mr. S. Hashem	Saudi Arabia
Mr. J. Danielsson	Sweden
Mr. N. Denton	United Kingdom
Mr. O. Nundu	United Republic of Tanzania
Mr. F. Ostrander	United States

3. At its first meeting, the Group elected Mr. A. Veillard (France) to be its Chairman.

4. The Working Group held three meetings, the first on Friday, 1 October 2004, the second on Monday, 4 October 2004, and the third on Tuesday, 5 October 2004.

5. Secretariat services were provided by Mr. S. Kandasamy, Chief, Finance Branch, and Ms. L. Lim, Acting Budget Officer.

6. The Report of the Working Group, attached herewith, is submitted for the review and approval by the Administrative Commission.

Agenda Item 39: Budgets

39.1: Programme Budget – 2005, 2006, 2007

39.2: Technical Co-operation Administrative and Operational Services Costs (AOSC)

39:1 The Budget Working Group is required to review the draft Programme Budget for 2005, 2006 and 2007 in accordance with the terms of reference and, as requested by the Administrative Commission, identify possible economies and propose a solution that would be acceptable to all Contracting States.

39:2 The Budget Working Group considered various options including:

- a) to retain the Programme Budget at the level of \$199.55 million, taking into consideration the reductions already made, the ability of the Organization to meet its objectives with the reduced resources and the exogenous factors responsible for the cost increases;
- b) to apply a reduction of 3 per cent per year to the budget for Major Programme VI: Administrative Support, and Major Programme VII: Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review, based on the premise that the resources allocated to administrative functions were excessive compared to the core programme activities;
- c) to apply an overall reduction of 1 per cent of the budget estimates for each of the three years;
- d) that any budget reduction should not affect safety, security, and environment-related activities.

39:3 Several members of the Budget Working Group were of the view that the proportion of resources dedicated to the Administrative function was excessive and therefore needed to be reduced. The Secretariat, however, stressed that further substantial reductions in the Major Programmes mentioned in paragraph 39:2 b) above would have a serious negative effect on the level of services provided to the various activities of the Organization.

39:4 After lengthy debate, in order to reach a consensus, the Budget Working Group recommended that:

- a) the Programme Budget estimates for the three years should be reduced by a further \$2.55 million to \$197 million;
- b) the reduction be applied equally over the three years; and
- c) the Secretary General be provided the flexibility to apply the reduction in such a way that he deems appropriate without affecting the safety, security, and environment-related programme activities.

39:5 As a result of the above-mentioned reductions, the contributions from Contracting States for the Regular Programme Budget would amount to \$179.7 million.

39:6 A revised Programme Budget estimate is shown below.

SUMMARY OF COST - MAJOR PROGRAMMES

	2005 Estimates	2006 Estimates	2007 Estimates	Total 2005-2007
(expressed in thousands of U.S. dollars)				
REGULAR PROGRAMME BUDGET				
I. General Policy and Direction	1 090	1 118	1 718	3 926
II. Air Navigation	9 138	9 314	9 521	27 973
III. Air Transport	5 363	5 468	5 561	16 392
IV. Legal	1 171	1 123	1 069	3 363
V. Regional and Other Programmes	17 120	16 493	16 392	50 005
VI. Administrative Support	25 646	26 047	26 401	78 094
VII. Finance, External Relations/ Public Information and Programmes Evaluation, Audit and Management Review	3 984	4 081	4 101	12 166
VIII. Universal Safety Oversight Audit Programme	2 007	3 027	2 599	7 633
Reduction (not to affect Safety, Security, and Environment activities)	(850)	(851)	(851)	(2 552)
Total Appropriation	64 669	65 820	66 511	197 000
X. Miscellaneous Income	5 162	5 413	5 723	16 298
— Transfer from Incentive Scheme Account (to minimize assessed contributions)	1 000	-	-	1 000
Total Assessed Budget	58 507	60 407	60 788	179 702

39:7 The Budget Working Group also examined the Indicative Budget Estimates of the Administrative and Operational Services Costs (AOSC) Fund of the Technical Cooperation Programme and agreed to recommend it to the Administrative Commission for approval subject to the proviso that in the event that the AOSC operation for any given financial year ends in a financial deficit, such deficit should first be met from the accumulated surplus of the AOSC Fund and a call for support from the Regular Programme Budget should be the last resort.

39:8 The Budget Working Group recommends that the Administrative Commission adopt the revised budget for submission to the Assembly.