



A35-WP/303
AD/24
5/10/04

INTERNATIONAL CIVIL AVIATION ORGANIZATION

ASSEMBLY - 35TH SESSION

ADMINISTRATIVE COMMISSION

DRAFT TEXT FOR THE REPORT ON AGENDA ITEMS 39.1 AND 39.2

The attached material on Agenda Items 39.1 and 39.2 is submitted for consideration 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 Administrative Commission had before it working paper A35-WP/20, AD/2, with Corrigenda Nos. 1 (E, F, S, R & A) and 2 and Addendum No. 1 related to the Draft Programme Budget of the Organization for 2005, 2006 and 2007, submitted by the Council, and four papers concerning budgetary, finance and funding issues, namely: the Distribution of Resources within the Draft Programme Budget of the Organization for 2005, 2006 and 2007 and Strengthening of the Regional Offices (A35-WP/133, EX/53, AD/15); Regionalisation of Safety (A35-WP/185, AD/16); Regional Arrangements and Budget Decentralization (A35-WP/213, AD/18, with Corrigendum No. 1 (E, R, A & C); and Stability in Voluntary Funding (A35-WP/257, AD/19).

39:2 At the first meeting of the Administrative Commission, held on 30 September 2004, the President of the Council presented the Draft Programme Budget of the Organization for 2005, 2006 and 2007 (A35-WP/20, AD/2). The President provided a comprehensive overview of the factors that influenced the formulation of the Draft Programme Budget. In particular, he emphasized the significant negative impact of the exchange rates, and that this factor is beyond the control of the Organization. The President also reminded the Commission that, as mentioned in his Letter of Transmittal (Addendum No. 1), there were six Contracting States who had reserved their positions with regards to the Draft Programme Budget.

39:3 The Administrative Commission noted that the draft budget estimates for the Regular Programme of the Organization submitted in A35-WP/20, AD/2, for the financial years 2005, 2006 and 2007 totalled \$196.99 million; and that, as reflected in Addendum No. 1, the budget estimates were revised to \$199.55 million, a net increase of \$2.56 million, to take into account the latest information available on cost increase factors and currency exchange rates. The proposed estimates of \$199.55 million for the 2005-2007 triennium compared with the approved budget for the 2002-2004 triennium constituted an increase of \$24.77 million, or an increase of 14.2 per cent. It is estimated that nearly \$19 million of the increase is attributed to adverse currency exchange rates.

39:4 The Commission also noted that as a result of the substantial increase in the proposed budget as well as a lack of cash surplus, the contributions required from Contracting States to fund the proposed budget would amount to \$182.25 million.

39:5 The Commission took note that the increase in the proposed budget was due to factors, including cost inflation and adverse exchange rate fluctuations, which were beyond the control of the Organization. The Commission also noted the efforts made by the Secretary General and the Council in making reductions in the budget estimates.

39:6 The Commission noted that the proposed level of the budget was, nevertheless, not acceptable to a group of Contracting States, particularly comprising some of the largest contributors. Statements were made to the effect that the budget should be at a realistic level, taking into consideration States' ability to pay. Proposals were made to further reduce the budget to acceptable levels. It was also mentioned that in considering further budget reductions, the Organization's front-line activities in safety, security, and environment should not be affected. In this context, the important role played by the Regional Offices and language services in safety, security, and environment-related activities of the Organization was recognized.

39:7 The Budget Working Group, established by the Administrative Commission, was asked to identify possible economies and propose a solution that would be acceptable to all Contracting States.

39:8 The Budget Working Group submitted its report in A35-WP/285, AD/23, Revised.

39:9 The Budget Working Group held three meetings and 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.

39:10 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 39:9 b) above would have a serious negative effect on the level of services provided to the various activities of the Organization.

39:11 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 adversely affecting the safety, security, and environment-related activities both at Headquarters and regional levels.

39:12 As a result of the above-mentioned reductions, the contributions from Contracting States for the Regular Programme Budget would amount to \$179.7 million.

39:13 The Administrative Commission endorses the Budget Working Group's recommendation on the Programme Budget level for 2005, 2006 and 2007. 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 adversely affect Safety, Security, and Environment activities both at Headquarters and regional levels)	(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

39:14 The Administrative Commission recommends that the Secretary General inform all Contracting States of the revised appropriations for the Regular Programme Budget by Major Programmes, which would take into account the proposed reduction of \$ 2.55 million in accordance with paragraph 39:11 above, before the end of 2004.

39:15 The Administrative Commission and 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 Assembly 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 would be the last resort.

39:16 The Administrative Commission did not consider Part B of the draft Resolution relating to funding for the modernization of the financial systems, contained in pages 14 and 15 of the Council's Message on the Programme Budget (A35-WP/20, AD/2), as the subject matter was covered under revised A35-WP/32, AD/14, (draft Resolution 44/1).

39:17 In its deliberations, the Administrative Commission took into consideration the submissions made in working papers A35-WP/133, EX/53, AD/15; A35-WP/185, AD/16; and A35-WP/213, AD/18. The working paper with respect to the Stability in Voluntary Funding (A35-WP/257, AD/19) was referred to the Executive Committee for its action.

39:18 The Administrative Commission recommends that the Assembly approve the report and adopt the following revised draft Resolution relating to the Indicative Budget Estimates of the Administrative and Operational Services Costs of the Technical Cooperation Programme and the Budget for the Regular Programme of the Organization for 2005, 2006 and 2007.

RESOLUTION FOR ADOPTION BY THE 35TH SESSION OF THE ASSEMBLY

Resolution 39/1

Budgets 2005, 2006 and 2007

PROGRAMME BUDGET 2005-2006-2007

The Assembly notes that:

1. in accordance with Article 61 of the Convention, the Council has submitted and the Assembly has considered annual budget estimates [indicative estimates for the Administrative and Operational Services Costs of the Technical Co-operation Programme (AOSC)] for each of the financial years 2005, 2006 and 2007;

2. in accordance with Articles 49 (e) and 61 of the Convention, the Assembly approves the budgets of the Organization; and

Recognizing that the AOSC are mainly financed by income from implementation of projects assigned to ICAO for execution by external funding sources such as Governments, the United Nations Development Programme and other sources;

Recognizing that the Technical Co-operation Programme cannot be determined with a high degree of precision until such time as the Governments of donor and recipient countries have decided on the relevant projects;

Recognizing that due to the difficulties cited above, the annual AOSC net budget figures shown below for the years 2005, 2006 and 2007 represent indicative budget estimates only:

TECHNICAL CO-OPERATION PROGRAMME

2005	2006	2007
6 299 000	6 051 000	5 993 000

Recognizing that technical co-operation is an indispensable means of fostering the development and safety of civil aviation;

Recognizing the circumstances facing the Technical Co-operation Programme of the Organization and the necessity to take continuing measures;

The Assembly resolves:

1. that the Indicative Budget Estimates of the Administrative and Operational Services Costs of the Technical Co-operation Programme are hereby approved on the understanding that subsequent adjustments to the Indicative Budget Estimates shall be made within the framework of the annual AOSC Budget Estimates in accordance with the provisions of Article IX of the Financial Regulations, provided that the overall requirements shall not at any time exceed the funds placed at the disposal of the Organization for this purpose.

2. that for the financial years 2005, 2006 and 2007, there are hereby authorized for expenditure in accordance with the Financial Regulations, and subject to the provisions of this Resolution, the following amounts for the Regular Programme, **separately** for the years stated:

REGULAR PROGRAMME

	2005	2006	2007
I. General Policy and Direction	1 090 000	1 118 000	1 718 000
II. Air Navigation	9 138 000	9 314 000	9 521 000
III. Air Transport	5 363 000	5 468 000	5 561 000
IV. Legal	1 171 000	1 123 000	1 069 000
V. Regional and Other Programmes	17 120 000	16 493 000	16 392 000
VI. Administrative Support	25 646 000	26 047 000	26 401 000
VII. Finance, External Relations/ Public Information and Programmes Evaluation, Audit and Management Review	3 984 000	4 081 000	4 101 000
VIII. Universal Safety Oversight Audit Programme	2 007 000	3 027 000	2 599 000
Reduction (not to adversely affect Safety, Security, and Environment activities both at Headquarters and regional levels)	(850 000)	(851 000)	(851 000)
TOTAL AUTHORIZED APPROPRIATION	64 669 000	65 820 000	66 511 000

3. that the separate annual Total Authorized Appropriation in Clause (2) above be financed as follows, in accordance with the Financial Regulations:

	2005	2006	2007
a) by Assessments on Contracting States in accordance with Resolution on the Scale of Assessments	58 507 000	60 407 000	60 788 000
b) by Miscellaneous Income	5 162 000	5 413 000	5 723 000
c) by Transfer from the Incentive Scheme for Long-Outstanding Arrears Account	1 000 000		
TOTAL	64 669 000	65 820 000	66 511 000

4. that the Secretary General inform all Contracting States of the revised appropriations for the Regular Programme Budget by Major Programme, which would take into account the proposed reduction of \$ 2.55 million, before the end of 2004.

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