



International Civil Aviation Organization

## WORKING PAPER

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### ASSEMBLY — 36TH SESSION

#### ADMINISTRATIVE COMMISSION

#### Agenda Item 53: Assessments to the General Fund for 2008, 2009 and 2010

#### METHODOLOGY USED IN CALCULATING SCALES OF ASSESSMENT

(Presented by the Council of ICAO)

##### EXECUTIVE SUMMARY

Pursuant to the request by the Administrative Commission of the 35th Session of the Assembly for the examination of the methodology used in the calculation of the scales of assessment with particular emphasis on the limitation principle, the Secretary General presented to Council for consideration various scenarios relating to possible changes in the methodology used in calculating scales of assessment. A Council member also presented a working paper relating to the subject. This paper summarizes the results of the Council's examination on the method of calculation and includes a draft Assembly resolution in the Appendix, which incorporates the changes in the methodology that were recommended by the Council. The Council recommends to the Assembly that the methodology used in calculating the scale of assessment be revised by the elimination of the limitation principle effective in 2009 so that the year 2008 would be the last year of its application, using a maximum increase rate of 20 per cent and removing the 0.07 per cent of the total scale of assessment in the calculations.

**Action:** The Assembly is invited to approve the Assembly Resolution presented in the Appendix.

<i>Strategic Objectives:</i>	This working paper relates to Supporting Implementation Strategy 4 and does not relate to any Strategic Objective.
<i>Financial implications:</i>	No additional resources required as there is no financial implications to the Organization.
<i>References:</i>	Doc 9848, <i>Assembly Resolutions in Force</i> (as of 8 October 2004)

## 1. INTRODUCTION

1.1 At the second meeting of the Administrative Commission of the 35th Session of the Assembly, held on 1 October 2004, the Commission examined the methodology used in calculating the scales of assessment for the 2005-2007 triennium and two views were expressed:

- a) the application of the limitation principle places undue burden on the Member States that are in the intermediate range of the scales of assessment (those above the minimum limit of 0.06 per cent and below the maximum of 25 per cent); and
- b) in spite of the limitation principle, some States, which were experiencing strong economic growth, were finding the increase in assessments from year-to-year to be too heavy a burden.

1.2 The Commission, after due consideration of the views, recommended that the Assembly instruct the Council to examine the methodology used in calculating the scales of assessments, and in particular the limitation principle, which is defined in Assembly Resolution A21-33, Resolving Clause 1 e).

## 2. CURRENT METHODOLOGY

2.1 The current calculation of ICAO's scales of assessments is done in steps as follows:

2.1.1 Derive the weighted ability to pay scale, by adding together 75 per cent of the *capacity to pay* scale and 25 per cent of the scale of *interest and importance of aviation*. These two coefficients for each State are added to arrive at the weighted ability to pay scale.

2.1.2 The *capacity to pay* scale is obtained from the United Nations (UN), on a restricted basis. The UN Committee on Contributions calculates each State's capacity to pay, based on an assessable national income figure compiled from the national income, population, per capita income and debt of each State.

2.1.3 The *interest and importance in civil aviation* scale is based on aviation data, for which domestic capacity carries a weight of 25 per cent and international capacity has a weight of 75 per cent. The data is collected by ICAO using a combination of methods, which includes submission of Air Transport Reporting (ATR) Forms, Form A, by Contracting States, and data from third parties such as the International Air Transport Association (IATA). In rare cases, where statistics are not available, the data is derived using a statistical estimation process.

2.1.4 Calculate the basic scale, by applying the minimum scale of 0.06 per cent and the maximum scale of 25 per cent.

2.1.5 Apply the limitation principle to obtain the assessment scale. The increase in a State's rate of assessment as compared with the previous year's is limited to 10 per cent of the previous year's rate of assessment or 0.07 per cent of the total scale of assessment, whichever is higher.

### 3. COUNCIL EXAMINATION OF METHODOLOGY

3.1 During the 179th Session, the Council reviewed the present methodology used to calculate the scales of assessment using three scenarios in order to assess the possible impact on changes to the methodology on assessments.

3.2 The three possible scenarios presented in C-WP/12738 to the Finance Committee were:

- the status quo, i.e. no change to the methodology;
- the removal of the limitation principle effective 1 January 2011; and
- an increase to the limitation principle limits to reach the Basic Scale at the end of the triennium by using 25 per cent of the previous year's rate of assessment or 10 per cent of the total scale, whichever is higher.

3.3 At the request of the Finance Committee three additional scenarios, with different sets of assumptions, were presented to the Committee. The scenarios reflected the estimated impact on the assessments if the increase in a State's rate of assessment as compared to the previous year would be determined at 10, 15 and 20 per cent with the elimination of the 0.07 per cent of the total scale of assessment limitation applied to the 2005-2007 triennium calculation. The Finance Committee after having considered advantages and disadvantages of eliminating the limitation principle, agreed to its elimination and recommended the Council to determine in what year the application should apply.

3.4 The Council, at the seventeenth meeting of its 179th Session, on the basis of paragraph 4.1 of the Report of the Finance Committee (C-WP/12739), agreed to recommend to the 36th Session of the Assembly the elimination of the said limitation principle and that 2008 be the last year in which the limitation principle should be applied and that the appropriate mathematical calculation to support that recommendation should be applied.

### 4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Following the consideration of the working papers presented during its 179th Session, the Council:

- a) recommends to the 36th Session of the Assembly the elimination of the limitation principle, and that 2008 would be the last year in which the limitation principle should be applied in the calculations; and
- b) recommends to remove the 0.07 per cent of the total scale of assessment in the calculation of the limitation principle and use a flat percentage of 20 per cent as the increase rate of assessment for the year 2008 to simplify the calculations.

4.2 A draft Assembly Resolution on the revised principles to be applied in the determination of scales of assessment is presented in the Appendix for approval by the Assembly.

## **APPENDIX**

### **DRAFT RESOLUTION FOR ADOPTION BY THE 36TH SESSION OF THE ASSEMBLY**

#### **Resolution 53/1**

Apportionment of the expenses of ICAO among Contracting States (Principles to be applied in the determination of scales of assessment)

*The Assembly resolves:*

1. that scales of assessments for the apportionment of expenses of the Organization shall be determined on the basis of the principles set out below:

a) The general principles determining the basis of apportionment of expenses among Contracting States are:

1. capacity of Contracting States to pay, as measured by national income, taking into consideration national income per head of population;
2. a Contracting State's interest and importance in civil aviation;
3. the use of a percentage system to apportion each State's share of the expenses of the Organization out of the total of 100 per cent;
4. the determination of a minimum and a maximum contribution.

b) In respect of the principles at paragraph a):

1. the percentage system shall express the contributions of States to two places of decimals;
2. the minimum contribution of any one Contracting State shall be .06 per cent for a full financial year;
3. the maximum contribution to be paid by any one Contracting State in any one year shall not, as a matter of principle, exceed 25 per cent of the total contribution.

c) In the application of the principles at paragraph a), the following shall be taken into account:

1. in the computation of the scale, capacity to pay shall carry a weight of 75 per cent and interest and importance in civil aviation a weight of 25 per cent, and from these shall be obtained coefficient figures for each State expressed as percentages of the whole;
2. in taking account of the capacity of Contracting States to pay, only total national income and per capita income shall be considered as being subject to quantitative evaluation and to inclusion in the computed scale;

3. the adjustment to each State's national income shall be based on the arrangements in force in this regard in the United Nations at the time that the scales of assessments of the Organization are prepared by the Secretary General;
  4. interest and importance in civil aviation shall be measured by the capacity tonne-kilometres available on each State's scheduled air services;
  5. capacity tonne-kilometres shall be given a weight of 75 per cent for international services and 25 per cent for domestic services.
- d) The difference between the maximum contribution by application of the principles and the fixed maximum contribution shall be distributed over the remaining Contracting States by applying the same principles.
- e) The increase in a State's contribution as compared with the previous year's, expressed in per cent of the total contribution, shall not exceed 20 per cent of the previous year's contribution for the year 2008 and no further limitation principle will be applied for subsequent years.
2. that the approved scales of assessments shall not be adjusted to include the assessments of new Member States joining the Organization in the interval between Assemblies; the assessments of these new States shall be kept in addition to the existing 100 per cent scale and their contributions shall be credited to the General Fund;
  3. that the draft scales of assessments for each successive triennial period shall be prepared by the Secretary General on the basis of the principles set out in Clause 1 above; and
  4. that this resolution consolidates the existing assessment principles of the Organization and supersedes, effective 1 January 2008, resolutions A21-33 and A23-24.

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