



INTERNATIONAL CIVIL AVIATION ORGANIZATION

ASSEMBLY – 35TH SESSION

ADMINISTRATIVE COMMISSION

Agenda Item 39.1: Programme Budget – 2005, 2006, 2007

STABILITY IN VOLUNTARY FUNDING

Triennium Funding Arrangements between ICAO & Donor States

(Presented by Australia)

SUMMARY

This paper proposes that States make commitments to provide voluntary contributions through memoradums of funding. While not binding, these documents would record the political commitments of donor States. They would promote both increased trust between the Organization and donor-States and act to provide greater certainty to the Organization on the amounts and timing of voluntary contributions. It would also promote the consolidation of the Organization's extra-budgetary fund-raising activities.

REFERENCES

1. INTRODUCTION

1.1 ICAO has traditionally relied upon two forms of funding from States for its activities: the regular programme budget and voluntary contributions. Generally speaking over its history, the regular programme budget has provided most of the resources for ICAO's major activities.

1.2 In more recent years, reflecting expenditure constraints imposed on their own national administrations, many states find it increasingly difficult to increase the level of their budget contribution to ICAO. In part this is due to national processes that demand accountability for the expenditure of public moneys. As a result ICAO has sought voluntary funding for some of its activities, which some States have found more flexible and easier to provide.

2. THE PROBLEMS ASSOCIATED WITH VOLUNTARY CONTRIBUTIONS

2.1 Voluntary funding can take a number of forms. In perhaps the most well known example, the AVSEC mechanism, States can make voluntary contributions in response to a coordinated call on ICAO member states to fund certain activities (Aviation Security in this case). In recent years ICAO has also sought voluntary contributions from member States to cover other activities like USOAP.

2.2 A major problem associated with voluntary contributions is their erratic nature. The Secretary General has no knowledge of the size and timing of these contributions, which tend to be made at times that suit the domestic political timetables of donor States. This makes it almost impossible to plan for activities funded by this means. ICAO has generally presented its financial estimates for programmes funded by voluntary contributions on the same basis as those funded under the regular programme budget. In reality though, the Organization has had to “bank” voluntary contributions until there is sufficient money to fund discrete elements of those programmes on a project-by-project basis. As it often has little knowledge of when voluntary funds will be provided, the purposes of ICAO programmes financed in this manner are often frustrated.

2.3 While there is considerable scrutiny by the Council and the Assembly associated with the development of the Organization’s draft programme budgets, there is considerably less examination of the resources sought under voluntary mechanisms. National administrations can often make cogent *political* cases for resources under voluntary mechanisms, however, they are likely to be less able to justify to finance authorities how these funds will be spent. This can act to reduce confidence in the mechanism of voluntary funding in the long term, thus decreasing the number of States prepared to make such contributions and the size of those contributions. In response to States’ reduced willingness to make these contributions, it appears that compensating increases in the requests for funding for these programmes have to be made so that sufficient funds are received by the Organization to run the intended programmes.¹ This bargaining game does not promote trust between the Organization and its member-States.

2.4 The Australian Government has faced a similar problem balancing accountability against continuity of funding when it provides funds to organisations through its various community grants programs. The solution it has adopted is to make voluntary payments through the means of funding agreements. In return for commitments to spend the funds on the agreed purposes and account for the expenditure of these funds, the Australian Government agrees to make specified payments on certain dates. A comparable mechanism would appear suitable to resolve some to the problems associated with voluntary contributions to ICAO.

2.5 An associated problem with voluntary contributions is that, due to reduced resources from its programme budget, there has been a proliferation of requests from ICAO for voluntary contributions. In addition to those outlined above, a number of the papers before the Assembly contemplate requests for voluntary contributions, e.g. A35-WP/YYY for seconded personnel to assist with the proposed expanded USOAP, A35-WP/YYY requests for assistance with ICAO’s Information technology systems. In light of the significant increases proposed in the

¹ E.g. if \$5 million is required, and historically the Organization receives 25% of what it asks for, the programme would need to seek \$20 million to fund the programme.

ICAO budget (A35-WP/20), ICAO will have to rely upon voluntary contributions for a number of years to come to continue a number of its important activities. Rather than making repeated *ad hoc* requests for assistance, the Organization should consolidate its various requests for voluntary contributions from member-States.

2.6 If States that wish to make voluntary contributions to fund ICAO commit to a pre-determined timetable of payments when making voluntary contributions, this would enable to the Organization to better plan the implementation of its programmes funded by these funds. It could also provide better accountability for national treasuries who wish to see that the Organization uses these funds for the purposes for which they are provided. If ICAO were to develop such a document and request States to make *all* their voluntary commitments using that document, this would help to stabilise an important source of ICAO operating resources.

3. FORM OF THE ARRANGEMENT

3.1 Australia considers that commitment through a document of less than treaty status (i.e. a memorandum of funding) could promote a greater commitment to requests for voluntary funding. While only recording a political commitment, these types of documents have greater moral weight. They are more likely to promote increased mutual understanding between entities than unilateral, opportunistic announcements of funding commitments. This form of document could also facilitate mutual commitments of voluntary contributions from a group of states, such as those from a particular region.

3.2 The essential elements of such an arrangement would be:

- A clear description of each of the purposes for which the Organization proposes to use the funds;
- A business plan incorporating an order of priorities and a risk analysis, prepared on a project by project basis, for each discrete purpose for which the contribution will be used;
- An agreed set of performance measures for the Organization to report to the donor State on the progress and effectiveness of the discrete programme(s) being funded;
- An agreed set of milestones and reporting dates;
- An amount that is the total voluntary commitment from the donor State;
- A timetable showing the dates by which the donor State will provide their voluntary contribution(s) and the size and/or form of these instalments, if any.

4. CONCLUSION

4.1 The current manner in which the Organization obtains voluntary contributions is *ad hoc* and needs consolidation. ICAO should develop a model arrangement under which States should make voluntary contributions. In return for increased accountability through the development of business plans and reporting against those plans, ICAO would secure a commitment to a more stable source of funding for those programmes, which are outside the regular programme budget.

5. FINANCIAL IMPACT OF THE PROPOSED ACTION

5.1 The introduction of voluntary triennium funding arrangements would stabilise an important source of revenue. It would allow the Organization to better plan for future activities funded by this method and commence those activities in a more timely fashion.

6. ACTION BY THE ASSEMBLY

6.1 The Assembly is invited to:

- (a) recognise the ongoing problems that the Secretary-General faces from the erratic nature of voluntary contributions, especially where these are used to fund major activities of the Organisation;
- (b) recognise the need for national administrations to demonstrate to their governments how their voluntary contributions are used by ICAO;
- (c) direct the Council to develop a model voluntary funding arrangement document, incorporating the elements in set out in paragraph 3.2;
- (d) urge States that wish to make voluntary contributions to ICAO to conclude voluntary funding arrangements with the Organization using the model document developed by the Council.

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