



INTERNATIONAL CIVIL AVIATION ORGANIZATION  
WESTERN AND CENTRAL AFRICAN OFFICE

**First Meeting of Directors General of Civil Aviation**

(Abuja, Nigeria, 19 – 21 March 2002)

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**Agenda Item 3: Funding of civil aviation**

**MOBILIZATION OF FUNDS FOR CIVIL AVIATION**

(Presented by the Secretariat)

**SUMMARY**

The Universal Safety Oversight Audit Programme (USOAP) and planning and implementation regional groups (PIRG) are important elements of the Global Aviation Safety Plan (GASP), in that it both identifies deficiencies and recommends remedial actions required. As many States have difficulties in implementing their corrective action plans due to budgetary constraints, an International Financial Facility for Aviation Safety (IFFAS) would provide an ideal source of funding for the implementation of corrective action plans as identified.

Action by the meeting is in paragraph 5.

**1. BACKGROUND**

1.1 Funding requirements for civil aviation safety and security are expected to accelerate and reach higher levels in the next decade than ever before, against a background of expanding financial requirements for airports and air navigation services. This will place major challenges on States and other bodies or entities needing to meet these requirements. Existing mechanisms for both public and private sector funding of an aviation infrastructure will be stretched.

1.2 Particularly challenging will be the need to ensure funding for safety-related infrastructure projects in those circumstances where a lack of financial viability or a shortage of government funds precludes or works against funding from traditional sources. This has led to a proposal to establish an International Financial Facility for Aviation Safety (IFFAS) that could become one means of financing in such circumstances. An IFFAS and its close relationship with the ICAO Universal Safety Oversight Audit Programme (USOAP), as well as lists of deficiencies and remedial actions as identified by planning and implementation regional groups (PIRGs), are the focus of this paper.

**2. EVOLUTION OF IFFAS**

2.1 The origin of an IFFAS dates back to 1995, when the 31<sup>st</sup> Session of the ICAO Assembly considered a proposal from a group of States for a study of the need, appropriateness and usefulness of

establishing an international aeronautical monetary fund to finance investments in airport and air navigation services infrastructure, under conditions that would be more flexible and less onerous than those usually available in financial markets. Preliminary work on the proposal was carried out during the 1995 – 1998 triennium, and the concept was endorsed by the Directors General of Civil Aviation Conference on a Global Strategy for Safety Oversight (1997) and the World-wide CNS/ATM Systems Implementation Conference (1998). Subsequently, in 1998, the 32<sup>nd</sup> Session of the Assembly noted the progress on this project and endorsed plans for further work on a fund. At that time, the Council had identified three primary applications of the potential new financial facility:

- a) the global implementation of CNS/ATM systems components;
- b) projects directly related to the ICAO Safety Oversight Programme; and
- c) the improvement and expansion of airport and air navigation services infrastructure, where this is aimed at overcoming identified safety deficiencies and shortcomings.

The Assembly concluded that the fund would primarily, and as its over-riding priority, finance safety-related projects.

2.2 During the previous triennium, emphasis on the continuing evolution of the proposal had been on funding requirements, potential participation in the fund and the structure, operation and administration of the fund itself. As part of that work, a survey was conducted by the Secretariat to obtain information and the views of States on the use, nature (global or regional) and management of the fund, as well as sources of funding. The main objective of an IFFAS is the financing of safety-related projects for which States cannot provide or obtain the necessary financial resources, with the principal area of application being safety-related deficiencies identified through the ICAO Universal Safety Oversight Audit Programme and by planning and implementation regional groups as an element of the ICAO Global Aviation Safety Plan (GASP).

2.3 A number of sources, singly or in combination, have been suggested to finance an IFFAS. These include, each on a voluntary basis: contributions from States and industry; an assessment on States *pro rata* to their ICAO budget contribution; ICAO's budget surpluses; grants from international lending institutions; and charges on passengers, possibly together with charges on freight. In this context, a basic prerequisite for any major source of financing for an IFFAS is that the source can be relied upon to provide a steady, regular flow of income.

### 3. RELATIONSHIP BETWEEN IFFAS, USOAP AND PIRGs

3.1 Considering that one of the primary objectives of ICAO is to promote the safety of flight in international air navigation worldwide, a clear relationship exists between the concept of GASP and that of an IFFAS, both of which have aviation safety as their overriding priority. An IFFAS addresses funding aspects of safety-related projects for which States cannot otherwise provide or obtain the necessary financial resources. The relationship between GASP and IFFAS is essentially symbiotic in that GASP is the umbrella concept concerning the safety-related activities of the Organization, whereas IFFAS would serve as a mechanism for financing measures aimed at improving safety.

3.2 As a high-level management programme, the main purpose of GASP is to identify, in general terms, safety issues of worldwide concern and determine priorities for safety-related tasks, which need to be undertaken and which offer the best safety dividend. As follow-up action, GASP is expected to recommend necessary remedial actions. The implementation projects an IFFAS would fund would be primarily identified

through the information gathered under the USOAP and by planning and implementation regional groups. Such information would be extremely useful in prioritizing safety needs of Contracting States in order to formulate action plans within an IFFAS for the utilization of funds. Safety-related improvements are not limited to action at the airport or air navigation service level, but rather extend to improvements in flight training and oversight of flight operations.

3.3 The USOAP and PIRGs are thus important elements of GASP, in that it both identifies deficiencies and recommends remedial actions required. As many States have difficulties in implementing their corrective action plans due to budgetary constraints, an IFFAS would provide an ideal source of funding for the implementation of corrective action plans as identified. Another possibility would be for IFFAS to invest in projects identified by the USOAP and PIRGs as recoverable loans, in conjunction with other financial institutions. It is important to note that PIRGs are most active in the identification, assessment and reporting of air navigation deficiencies and the remedial action required in the various regions.

#### 4. **FUTURE WORK**

4.1 While much work has been undertaken with regard to an IFFAS, both in isolation and in relation to the USOAP and GASP in general, a number of issues require consideration and action by States as well as by ICAO. These revolve principally around the funding and implementation at the regional level of an IFFAS. Guidance may be requested by States that wish to apply the IFFAS concept. Such guidance could focus on the many practical aspects that would need to be addressed when an IFFAS is established, and on the basic provisions that would need to be covered in the agreement covering an IFFAS between the States concerned, including funding, managerial aspects, liability aspects, etc.

4.2 If an IFFAS is to serve its primary objective — that is, financing remedies for safety-related deficiencies identified through the USOAP and by PIRGs — it is essential that the identification and monitoring mechanism envisaged under GASP be in place. To meet that objective, ICAO intends to give more attention to outlining the precise procedure that could be applied to determine how the actual work of prioritizing safety-related tasks and projects identified by PIRGs could be funded through an IFFAS.

4.3 The 33<sup>rd</sup> Session of the ICAO Assembly (September/October 2001) endorsed the concept of an IFFAS and requested the Council to pursue the establishment of an IFFAS, as a matter of priority, early in the 2002 – 2004 triennium (Assembly Resolution A33-10 refers). Pursuant to that resolution, the Secretary General created a task force that will develop details of the various actions to be taken towards giving effect to the resolution.

#### 5. **ACTION BY THE MEETING**

5.1 The meeting is invited to:

- a) note this paper;
- b) provide guidance as necessary relating to the establishment of an IFFAS; and
- c) request ICAO to ensure that an IFFAS would support the objectives of improving aviation safety through the implementation of the necessary corrective measures identified by planning and implementation regional groups and the Universal Safety Oversight Audit Programme.