



WORKING PAPER

**SEVENTH WORLDWIDE AIR TRANSPORT CONFERENCE
(ATCONF/7)**

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Agenda Item 3: Strengthening regulatory and institutional frameworks

3.1: Strengthening regulatory oversight and evolving institutional frameworks

**STRENGTHENING REGULATORY OVERSIGHT AND EVOLVING
INSTITUTIONAL FRAMEWORKS**

(Presented by the Secretariat)

EXECUTIVE SUMMARY

This working paper examines the needs and priorities for strengthening aviation regulatory oversight capacity and institutional frameworks to support the safe, secure, efficient and sustainable development of international air transport. It addresses the challenges faced by States in securing stable, adequate and predictable funding for civil aviation authorities (CAAs), which is essential to maintaining effective regulatory oversight. The paper further outlines the International Civil Aviation Organization's (ICAO) efforts to support States through the provision of guidance, capacity-building initiatives, strengthening of regional cooperation mechanisms and technical assistance, as well as through the exploration of additional mechanisms to promote sustainable funding for CAAs and oversight regulatory functions.

Action: The Conference is invited to:

- a) note the priorities for strengthening regulatory oversight presented in paragraph 2;
- b) note the challenges in sustainable funding for CAAs and the relevant ICAO work presented in paragraphs 3 and 4; and
- c) endorse the recommendations presented in paragraph 5.

Strategic Goal:

This working paper relates to Strategic Goals: *Every Flight is Safe and Secure* and *The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All*.

Financial implications:

The activities referred to in this paper will be undertaken subject to the resources available in the 2026–2028 Regular Budget and/or from extra budgetary contributions, including the Voluntary Air Transport Fund.

References:

Resolutions Adopted by the 42nd Session of the Assembly, Provisional Edition, October 2025 (ICAO Assembly Resolution A42-26)
Doc 10139, Assembly 40th Session. Montréal, 24 September – 4 October 2019.
Economic Commission Report
Doc 9082, ICAO's Policies on Charges for Airports and Air Navigation Services
Doc 9562, Airport Economics Manual
Doc 9161, Manual on Air Navigation Services Economics
Doc 9734A, Safety Oversight Manual: The Establishment and Management of a State Safety Oversight System
Doc 9734B, Safety Oversight Manual: The Establishment and Management of a Regional Safety Oversight Organization

1. INTRODUCTION

1.1 Effective regulatory oversight and strong institutional frameworks are fundamental to ensuring a safe, secure, efficient and sustainable air transport system, in accordance with the *Convention on International Civil Aviation* (Chicago Convention), as well as ICAO standards, policies and guidance. In an increasingly complex and rapidly evolving aviation environment, characterized by growing demand, changing market dynamics, new entrants such as unmanned aircraft systems (UAS), advanced air mobility (AAM) and higher airspace operations (HAO), innovation (including innovative business service providers), digital transformation and climate-related needs, regulatory oversight systems must remain agile, adaptive and forward-looking, supported by enabling institutional frameworks. Such systems and frameworks should also facilitate the effective implementation of relevant international aviation legal instruments, thereby enhancing legal certainty, market confidence and the efficient and sustainable operation of international air transport.¹

1.2 As air transport systems continue to expand in scale and complexity, States face growing challenges in maintaining effective regulatory oversight capacity and robust institutional arrangements. Addressing these challenges requires a comprehensive, coordinated and long-term approach encompassing modern legal frameworks, sound governance structures, qualified personnel, and appropriate technical tools, underpinned by sustainable funding that provides stable, adequate and predictable financial resources.

1.3 Sustainable funding is a critical enabler of effective regulatory oversight. In many States, civil aviation authorities (CAAs) continue to encounter difficulties in securing stable and adequate financial resources while managing expanding oversight regulatory responsibilities. Such constraints can undermine the ability of regulators to maintain effective oversight and fulfil international obligations. Ensuring the long-term effectiveness and resilience of CAAs therefore requires funding frameworks that are sustainable to support continuous oversight regulatory functions and institutional development.

2. PRIORITIES FOR STRENGTHENING REGULATORY OVERSIGHT CAPACITY AND INSTITUTIONAL FRAMEWORKS

2.1 There is a growing need to enhance compliance with regulatory oversight and institutional frameworks to ensure that civil aviation systems operate safely, securely, efficiently, and in accordance with international obligations. Many States, particularly Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Developing States (SIDS), and other developing States, encounter persistent constraints related to institutional capacity, human resources, and funding for CAAs and regulatory oversight. These challenges can hinder compliance with the Chicago Convention and the implementation of ICAO standards, policies and guidance. Furthermore, leveraging Regional Safety Oversight Organizations (RSOOs) can enhance States' ability to effectively discharge their safety oversight obligations by fostering regional cooperation, harmonizing expertise, and maximizing the efficient use of limited technical and financial resources.

2.2 Priorities to strengthen regulatory oversight and institutional frameworks should focus on establishing systems that are legally sound, operationally capable, financially sustainable and adaptable to future challenges. While priorities may vary among States, several areas consistently emerge as critical:

- a) ***Modernization and harmonization of legal and regulatory frameworks.*** States should review and modernize their aviation legislation and regulations to ensure that they are in alignment with the Chicago Convention, ICAO Standards and Recommended Practices (SARPs), policies and guidance. Clear legal authority, defined institutional mandates, and

¹ Including the Convention for the Unification of Certain Rules for International Carriage by Air (Montreal Convention, 1999) and, where applicable, the Convention on International Interests in Mobile Equipment and its Aircraft Protocol (Cape Town Instruments, 2001)

effective and proportionate enforceable regulatory mechanisms are essential foundations for effective oversight;

- b) ***Strengthening institutional governance and regulatory independence.*** Civil aviation authorities should have clearly defined responsibilities, transparent governance structures, and autonomy to perform oversight regulatory functions objectively. At the same time, regulatory and operational or commercial functions should be separated, while maintaining strong accountability;
- c) ***Organizational capacity and workforce sustainability.*** Human resource capacity remains one of the most critical challenges faced by many States, due to shortages of qualified aviation personnel. Addressing this challenge requires not only recruiting qualified personnel but also retaining them through continuous training and effective workforce retention strategies.
- d) ***Enhancing digital and technological capabilities.*** Appropriate digital infrastructure and integrated information systems can improve efficiency, effectiveness and consistency. Strengthening digital capabilities also support evidence-based decision making and enhance the ability of regulators to identify trends, monitor compliance levels and assess the effectiveness of regulatory measures;
- e) ***Strengthening stakeholder engagement.*** Enhancing coordination among relevant ministries such as transport, finance, environment, tourism, trade, national authorities and other stakeholders is important to ensure coherent aviation policies and integrated planning; Effective coordination is also important where implementation of international aviation legal instruments involves multiple governmental entities as well as judicial and registry authorities;
- f) ***Sustainable funding and financial management.*** Adequate funding is an essential enabler for effective regulatory oversight. States should establish stable and predictable frameworks for sustainable funding of CAAs, which may include government appropriations and cost-recovery through charges and fees, in accordance with relevant ICAO policies on charges; and
- g) ***Regional cooperation and use of Regional Safety Oversight Organizations (RSOOs).*** Today, numerous States actively leverage RSOOs and similar cooperative mechanisms to pool technical expertise, optimize limited resources, and harmonize regulatory frameworks. RSOOs therefore represent an effective and scalable approach for many States, particularly those with constrained capacity, to meet their international oversight obligations.

2.3 Addressing these priority areas in a coordinated manner with continued commitment will be critical for States to build resilient oversight systems and institutional frameworks capable of improving compliance and supporting safe, secure, efficient, and sustainable international air transport.

2.4 ICAO has continued to support States in strengthening regulatory oversight and institutional frameworks through a combination of provision of guidance, auditing, capacity-building, regional cooperation and technical assistance through global partnerships. Given the differing levels of development and institutional maturity among States, ICAO's support will continue to be coordinated and tailored to national and regional needs, in line with the *No Country Left Behind* (NCLB) Strategic Goal. In addition, through the Next Generation of Aviation Professionals (NGAP), ICAO will continue to support States in addressing current and future workforce challenges across the aviation sector, and building a sustainable, competent, and future-ready aviation workforce capable of supporting effective regulatory oversight and the long-term development of civil aviation.

3. SUSTAINABLE FUNDING FOR CIVIL AVIATION AUTHORITIES

3.1 Sustainable funding for CAAs is a critical enabler for strengthening regulatory oversight and institutional frameworks. For many States, however, oversight capacity is constrained by limited financial resources. CAAs face a range of challenges in obtaining stable, adequate, and predictable financial resources while managing increasing regulatory oversight responsibilities and responding to evolving industry needs. Effective oversight systems supported by adequate resources can also contribute to improved confidence among investors, financiers and industry stakeholders by demonstrating the reliability and effectiveness of a State's aviation governance framework.

3.2 Ensuring sustainable funding for CAAs requires a funding framework that is stable, predictable, transparent, and sufficient to support effective regulatory oversight over the long term. As oversight regulatory functions are continuous, funding arrangements should protect CAAs from financial instability, short-term budget fluctuations, and operational disruptions.

3.3 A key step is establishing a clear and diversified funding model through a combination of government appropriations and cost-recovery mechanisms rather than relying on a single source of revenue. Hybrid models can provide both financial stability and operational flexibility, particularly during periods of traffic volatility or economic disruption. Cost recovery through user charges should be consistent with ICAO's policies on charges that ensures transparency, non-discrimination, and cost-relatedness. Consideration should also be given to sustainable financing arrangements for regional oversight mechanisms such as RSOOs, including cost-sharing models among participating States and integration into national funding frameworks.

3.4 States should also ensure that revenues allocated to the CAA are ring-fenced or protected for aviation regulatory oversight purposes. In some systems, aviation-generated revenues are absorbed into general government budgets, limiting the regulator's ability to plan and invest effectively. Dedicated aviation regulatory oversight funds or retention of collected fees by the CAA can improve financial predictability and institutional sustainability.

3.5 For smaller or resource-constrained States, regional cooperation mechanisms provide an effective and, in many cases, essential means of fulfilling their safety oversight responsibilities. Strengthening and leveraging RSOOs and similar regional cooperation mechanisms allows pooling of resources, sharing of technical expertise, and harmonizing of regulatory frameworks, helping States to overcome capacity constraints and more effectively meet their obligations under the Chicago Convention. Sustainable financing of RSOOs, supported by clear governance and sustained political commitment is therefore critical.

4. ICAO'S WORK ON ADDRESSING FUNDING OF CAA AND OVERSIGHT FUNCTIONS

4.1 The issue of funding for aviation oversight functions carried out by States has been raised at the recent ICAO Assemblies. Challenges faced by some States in securing adequate financial resources for their CAAs were considered during the Economic Commission of the 40th Session of the Assembly (A40). The Commission recommended that ICAO undertake regional workshops and seminars to enhance States' awareness and understanding of relevant ICAO policies and guidance on funding for regulatory oversight functions, and to support their effective implementation ([Doc10139_A40-Economic-Commission-Report_en.pdf](#)).

4.2 Likewise, the 42nd Session of the ICAO Assembly, noting the growing need for States to secure sufficient funding for oversight regulatory functions, requested the Council to assess mechanisms to address the issue of ensuring sustainable funding for States' safety, security and economic oversight functions, and to update and/or develop, as required, guidance related to funding of States' oversight

functions (A42-26, Appendix C – Airports and air navigation services economics, refers) ([Assembly Resolution A42-26.pdf](#)).

4.3 ICAO's existing policies and guidance address recovering the cost of oversight functions through user charges. *ICAO's Policies on Charges for Airports and Air Navigation Services* ([Doc 9082](#)) state that costs directly related to oversight functions (safety, security and economic oversight) for airport or air navigation services may be included in the cost basis for user charges, at the State's discretion. In addition, a section on financing a RSOO was developed and incorporated in the *Safety Oversight Manual: The Establishment and Management of a Regional Safety Oversight Organization* ([Doc 9734B](#)), recognizing that RSOOs are a critical mechanism for assisting States in fulfilling their safety oversight obligations and improving compliance with ICAO SARPs.

4.4 With a view to providing additional guidance to States, ICAO, through the Airport Economics Panel and Air Navigation Services Economics Panel (AEP-ANSEP), has designed a global survey on sustainable funding for CAAs and States' oversight functions. The survey aims to collect information and best practices on funding for safety, security and economic oversight regulatory functions at the national level as well as on the funding structure of CAAs. The results of the survey will form the basis of a study on the practices of funding oversight functions, which would also serve to develop potential guidance material, as necessary, on funding and financing mechanisms and related implementation activities to further support CAAs in their oversight regulatory functions.

5. RECOMMENDATIONS

5.1 The following recommendations are proposed for consideration by the Conference:

- a) States should take coordinated and sustained action to address the priorities identified in paragraph 2, with a view to strengthening resilient oversight regulatory systems and institutional frameworks capable of enhancing compliance with the Chicago Convention and ICAO Standards, policies and guidance and supporting the effective implementation of relevant international aviation legal instruments;
- b) States should establish stable and predictable frameworks to ensure sustainable funding for CAAs as outlined in paragraph 3, including using diversified funding models and regional cooperation mechanisms;
- c) States and regional organizations should strengthen and support RSOOs through sustained political commitment, adequate funding arrangements, and clear governance structures, recognizing their critical role in enhancing safety oversight and assisting States in fulfilling their obligations under the Chicago Convention;
- d) ICAO should continue to actively engage with States in identifying regulatory oversight and institutional capacity gaps, providing targeted technical assistance and capacity building implementation support initiatives, and facilitating the exchange of good practices and lessons learned among States and relevant stakeholders;
- e) ICAO should ensure that its policies and guidance related to the funding of oversight functions remain current, practical, and responsive to the evolving circumstances and needs of States, while promoting broader awareness and implementation through workshops, seminars and other outreach initiatives; and
- f) ICAO should continue its work on the development of additional guidance and exploring new mechanisms and approaches in achieving sustainable funding for CAAs and oversight

functions. This work should include addressing the need for new mechanisms and approaches with respect to new entrants and innovative business models.

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