



A39-WP/451
AD/13
29/09/16

ASSEMBLY — 39TH SESSION

ADMINISTRATIVE COMMISSION

**DRAFT TEXT FOR THE GENERAL SECTION OF THE ADMINISTRATIVE COMMISSION'S
REPORT AND FOR THE REPORT
ON
AGENDA ITEMS 48, 50, 51, 52, 53, 54
55, 56, 57, 58 AND 49**

(Presented by the Chairman of the Administrative Commission)

The attached report on the General Section of its Report and Agenda Items 48, 50, 51, 52, 53, 54, 55, 56, 57, 58 and 49 has been approved by the Administrative Commission. Resolutions 10/1, 49/1, 52/1, 53/1, 55/1, 56/1, and 57/1 are recommended for adoption by the Plenary.

Note. — After removal of this covering sheet, this paper should be inserted in the appropriate place in the Report Folder.

**REPORT OF THE ADMINISTRATIVE COMMISSION
TO THE ASSEMBLY**

1. The Administrative Commission held two meetings between 29 September and 3 October 2016.
2. Mr. Jorge Félix Castillo de la Paz (Cuba) was elected Chairperson of the Administrative Commission at the Plenary Meeting of the Assembly held on 27 September 2016.
3. The Commission, at its first meeting, elected Ms. Silvia Gehrler (Austria) as its First Vice-Chairperson and Dr. W. Rama Makuza (Uganda) as its Second Vice-Chairperson as proposed by China and seconded by Portugal.
4. Representatives from 77 Member States attended one or more meetings of the Commission.
5. The President of the Council, Mr. Aliu, was present at the first meeting of the Commission and addressed the staff with an opening introductory statement and then proceeded to the Executive Committee. The Secretary General, Dr. Fang Liu, accompanied the President of the Council at the first meeting of the Commission.
6. The Secretary of the Commission was Mr. R. Bhalla, Chief, Finance Branch. Mr. J.-Y. Cossette, Chief, Accounting Services Section and Ms. L. Lim, Chief, Financial Services, acted as Deputy Secretaries; Ms. S. Muldoon, Associate Budget Analyst and Ms. X. Liu Head, General Ledger and Reporting Unit acted as Assistant Secretaries; Mr. A. Byrne, Treasury Officer, Mrs. P. Romano, Head, Accounts Receivable Unit, acted as Liaison Officers.

Working arrangements

7. At its first meeting, the Chairman of the Administrative Commission welcomed the Delegates and requested that the Secretary of the Administrative Commission present the Items listed in the Order of Business. Presentations on both the Budget and the Scales of the Assessment were made by the Secretary of the Commission in order to provide a detailed view on both subject matters. The consensus was that extensive discussion on all of the relevant items had been conducted at the Council level and allowed for an efficient and expedited review of the Items at the First Meeting.

Agenda

8. Items referred to the Commission by the Plenary and Executive Committee were considered.

- 48 Annual Reports of the Council to the Assembly for 2013, 2014 and 2015
- 49 Budgets for 2017, 2018 and 2019
- 50 Confirmation of Council action in assessing the contributions to the General Fund and determining advances to the Working Capital Fund of States which have adhered to the Convention
- 51 Contributions in arrears
- 52 Assessments to the General Fund for 2017, 2018 and 2019
- 53 Report on the Working Capital Fund
- 54 Disposition of cash surplus/deficit
- 55 Amendment of the Financial Regulations
- 56 Review of expenditures, approval of accounts and examination of Audit Reports for the financial years 2013, 2014 and 2015
- 57 Appointment of External Auditor
- 58 Other issues for consideration by the Administrative Commission

9. The documents and working papers considered by the Commission are listed by agenda items in the Appendix to this report (see page *).

10. The action taken by the Commission in respect of each item is reported on separately in the paragraphs that follow. The material is arranged according to the numerical sequence of the agenda items considered by the Commission at the Second Meeting of the Administrative Commission on 3 October 2016.

Conclusion

11. The Secretary of the Commission expressed gratitude and appreciation of the professional manner in which the Chairman, Mr. Jorge Félix Castillo de la Paz, coordinated the proceedings of the Commission. The Commission continues to be a model of efficiency, by effectively completing in an expeditious manner all of the Agenda Items in a single session/meeting and reviewing the Administrative Commission Reports in another meeting, for a total of two meetings of the Administrative Commission during the 39th Session of the Assembly.

* Will be provided in final edition of the report.

Agenda Item 48: Annual Reports to the Council to the Assembly for 2013, 2014 and 2015

48.1 Certain parts of the Annual Reports of the Council to the Assembly for 2013, 2014 and 2015 and the supplementary report covering the first six months of 2016 falling within the Commission's field of competence were referred by the Plenary, for the Commission's review.

48.2 At its first meeting, the Commission noted the content and presentation of the section entitled 'Financial Statement' for the years 2013, 2014 and 2015 and the supplementary report covering the first six months of 2016 of the Annual Reports (<http://www.icao.int/annual-report-2013/Pages/default.aspx> ; <http://www.icao.int/annual-report-2014/Pages/default.aspx> ; <http://www.icao.int/annual-report-2015/Pages/default.aspx> and Supplement).

48.3 The Commission recommends to the Plenary that the section entitled 'Financial Statement' of the Annual Reports be approved.

Agenda Item 50: Confirmation of Council action in assessing the contributions to the General Fund and determining advances to the Working Capital Fund of States which have adhered to the Convention

50.1 At its first meeting, the Commission noted the information put forth in the Oral Status Report indicating that subsequent to the 38th Session of the Assembly, no new State adhered to the Convention and became a Member State of ICAO, therefore, this Item did not require to put forth an Assembly working paper for consideration by the Administrative Commission.

50.2 As outlined in the A38 Administrative Commission Report, in future, it will not be necessary to table this Item for consideration when there is no new State has adhered to the Convention.

Agenda Item 51: Contributions in arrears

51.1 At its first meeting, the Commission considered A39-WP/68, AD/7 regarding the application of funds from incentive scheme for the settlement of long-outstanding arrears (Report on Assembly Resolution A38-25). The Commission was requested to note that the unreserved surplus of approximately CAD 1.0 million had already been approved for budgetary support during the 2017-2018-2019 triennium (ref:A39-WP/46). One Delegation supported use of these funds for one-time extraordinary items. Another Delegation commented that this practice should not be encouraged for future cases noting that the default option under similar circumstances should be to credit the unspent funds against the assessments to member States. The Commission recommended to the Assembly to approve the use of the unreserved surplus of approximately CAD 1.0 million dollars approved to be used for budgetary support during the 2017-2018-2019 triennium.

51.2 The Commission also considered A38-WP/61, EX/34, AD/5, Revision No. 1, and Appendix C to Addendum No. 1, which provide information on the financial aspects of the question of contributions in arrears as at 19 September 2016 and those Member States that had their voting rights deemed suspended as at 26 September 2016. Item 10 of the working paper had previously been considered by the Executive Committee at its first meeting, during which the Executive Committee approved the draft Resolution in Appendix D through its oral report to the Plenary. Some Commission Members noted that the Council should be encouraged to pursue solutions in order to improve the situation of outstanding arrears.

51.3 The Commission notes the Resolution 10/1 below as approved by the Executive Committee and as adopted by the Plenary on Wednesday, 28 September 2016.

RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION**ADOPTED BY THE ASSEMBLY****Resolution 10/1: Discharge by Member States of financial obligations to the Organization and action to be taken in case of their failure to do so**

Whereas Article 62 of the *Convention on International Civil Aviation* provides that the Assembly may suspend the voting power in the Assembly and in the Council of any Member State that fails to discharge, within a reasonable period, its financial obligations to the Organization;

The Assembly:

Considering that Article 6.5 a) of the *ICAO Financial Regulations* provides that contributions from Member States shall be considered due and payable in full as of the first day of the financial year to which they relate and Article 6.5 b) which stipulates that as of 1 January of the following financial year, any unpaid balance due shall be considered to be one year in arrears;

Noting that the delays in payment of current year contributions have constituted an obstacle to the implementation of the work programme and created serious cash flow difficulties;

Urges that all Member States in arrears make suitable arrangements for liquidating their arrears;
and

Urges all Member States and, in particular, the States elected to the Council, to take all necessary measures to pay their contributions on time;

Resolves that, with effect from 1 January 2017:

1. all Member States should recognize the necessity to pay their contributions at the beginning of the year in which they fall due, in order to avoid the need for the Organization to draw on the Working Capital Fund to make good the shortfall;

2. the Secretary General be directed to dispatch to all Member States, at least three times in the year, schedules showing the current amounts due for the current year and up to 31 December of the previous year;

3. the Council be authorized to discuss and conclude arrangements with Member States, whose contributions are in arrears for three or more years, for the settlement of accumulated arrears to the Organization, any such settlements or arrangements to be reported to the next session of the Assembly;

4. all Member States that are three years or more in arrears in the payment of their contributions should:

- a) effect without delay payment of the amounts outstanding with respect to advances to the Working Capital Fund, the current year contribution, and partial settlement of their arrears in the amount of 5 per cent of the arrears; and
- b) conclude within six months of the date of the payment referred to in sub-paragraph a) above, if they have not already done so, an agreement with the Organization for the settlement of the balance of their arrears, such agreement to provide for the payment annually, in full, of their current contributions and the balance of the arrears in instalments over a period of no more than ten years, which period may, at the discretion of the Council, be extended, to a maximum of twenty years in respect of special cases, i.e. those Member States which are classified by the United Nations as Least Developed Countries;

5. the Council should further intensify the current policy of inviting Member States in arrears to make settlement proposals for the liquidation of long-outstanding arrears of contributions in accordance with the provisions of Resolving Clause 4 above, taking full account of the economic position of the States concerned including the possibility of accepting other currencies in accordance with the provisions of Article 6.6 of the Financial Regulations, to the extent that the Secretary General can use these currencies;

6. the voting power in the Assembly be suspended for those Member States in arrears for an amount equal to or in excess of the total assessments for the three preceding financial years and of those Member States not in compliance with agreements entered into in accordance with Resolving Clause 4 b) above, such suspension to be revoked immediately upon the settlement of outstanding amounts due and amounts due under agreements; and

7. the voting power in the Council be suspended for those Council Member States that have annual assessed contributions or part thereof, in arrears for longer than 18 months, such suspension to be revoked immediately upon the settlement of outstanding amounts due; and

8. the voting power of a Member State suspended under Resolving Clause 6 may also be restored by action of the Assembly or the Council provided:

- a) it has already concluded with the Council an agreement that provides for the settlement of its outstanding obligations and for the payment of current contributions and has complied with the terms of that agreement; or
- b) the Assembly is satisfied that the State's willingness to reach an equitable settlement of its financial obligations to the Organization has been demonstrated;

9. any State whose voting power has been suspended by the Assembly under Article 62 of the Convention may have it restored by the Council under the conditions stipulated in Resolving Clause 8 a) above, provided that a willingness on its part to reach an equitable settlement of its financial obligations to the Organization has been demonstrated;

10. the following additional measures be applied to those Member States whose voting rights have been suspended under Article 62 of the Convention:

- a) lose eligibility to host meetings, conferences, workshops and seminars which are funded, in whole or in part, by the Regular Programme;
- b) receive only the same free documentation as that provided to non-Member States, including those available in electronic media, and any other documents that are essential for safety, regularity or efficiency of international air navigation;
- c) Nominees or Representatives lose eligibility to be voted into any office;
- d) for purposes of recruitment to posts in the Secretariat, if all other circumstances are equal, candidates from States in arrears would be considered as having the status of candidates from a State that has already achieved the desired level of representation (under equal geographical representation principles), even if it has not achieved that level; and
- e) lose the right to participate in the ICAO Familiarization course;

11. only those States which have no outstanding annual assessed contributions except for the current year's assessment will be eligible for election to the Council, Committees, and bodies;

12. the Secretary General be directed to report to Council any voting rights deemed to be suspended and suspension revoked under Clauses 6 and 7, as well as any non-eligibility for election to the Council, Committees and bodies under Clause 11, and to apply measures stipulated in Clause 10 accordingly; and

13. this Resolution supersedes Assembly Resolution A38-24.

Agenda Item 52: Assessments to the General Fund for 2017, 2018 and 2019

52.1 At its first meeting, the Administrative Commission examined A39-WP/69, AD/8, on the proposed draft scales of assessment for the triennium 2017, 2018 and 2019.

52.2 It was clarified that there was no change to the Methodology, therefore, the existing assessment principles will be maintained.

52.3 The Administrative Commission recommends that the Plenary adopt draft Resolution 52/1.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 52/1

Assessments to the General Fund for 2017, 2018 and 2019

The Assembly:

1. *resolves* that the amounts to be assessed on Member States for 2017, 2018 and 2019 pursuant to Article 61, Chapter XII, of the Convention shall be determined in accordance with the scales set out in the Table below:

	2017	2018	2019
	%	%	%
Afghanistan	0.06	0.06	0.06
Albania	0.06	0.06	0.06
Algeria	0.13	0.13	0.13
Andorra	0.06	0.06	0.06
Angola	0.09	0.09	0.09
Antigua and Barbuda	0.06	0.06	0.06
Argentina	0.69	0.69	0.69
Armenia	0.06	0.06	0.06
Australia	2.06	2.06	2.06
Austria	0.60	0.60	0.60
Azerbaijan	0.06	0.06	0.06
Bahamas	0.06	0.06	0.06
Bahrain	0.09	0.09	0.09
Bangladesh	0.08	0.08	0.08
Barbados	0.06	0.06	0.06
Belarus	0.06	0.06	0.06
Belgium	0.76	0.76	0.76
Belize	0.06	0.06	0.06
Benin	0.06	0.06	0.06
Bhutan	0.06	0.06	0.06
Bolivia (Plurinational State of)	0.06	0.06	0.06
Bosnia and Herzegovina	0.06	0.06	0.06
Botswana	0.06	0.06	0.06
Brazil	2.94	2.94	2.94
Brunei Darussalam	0.06	0.06	0.06

	2017	2018	2019
	%	%	%
Bulgaria	0.06	0.06	0.06
Burkina Faso	0.06	0.06	0.06
Burundi	0.06	0.06	0.06
Cabo Verde	0.06	0.06	0.06
Cambodia	0.06	0.06	0.06
Cameroon	0.06	0.06	0.06
Canada	2.61	2.61	2.61
Central African Republic	0.06	0.06	0.06
Chad	0.06	0.06	0.06
Chile	0.42	0.42	0.42
China	7.95	7.95	7.95
Colombia	0.31	0.31	0.31
Comoros	0.06	0.06	0.06
Congo	0.06	0.06	0.06
Cook Islands	0.06	0.06	0.06
Costa Rica	0.06	0.06	0.06
Côte d'Ivoire	0.06	0.06	0.06
Croatia	0.07	0.07	0.07
Cuba	0.06	0.06	0.06
Cyprus	0.06	0.06	0.06
Czech Republic	0.27	0.27	0.27
Democratic People's Republic of Korea	0.06	0.06	0.06
Democratic Republic of the Congo	0.06	0.06	0.06
Denmark	0.45	0.45	0.45
Djibouti	0.06	0.06	0.06
Dominican Republic	0.06	0.06	0.06
Ecuador	0.07	0.07	0.07
Egypt	0.22	0.22	0.22
El Salvador	0.06	0.06	0.06
Equatorial Guinea	0.06	0.06	0.06

	2017	2018	2019
	%	%	%
Eritrea	0.06	0.06	0.06
Estonia	0.06	0.06	0.06
Ethiopia	0.16	0.16	0.16
Fiji	0.06	0.06	0.06
Finland	0.43	0.43	0.43
France	4.13	4.13	4.13
Gabon	0.06	0.06	0.06
Gambia	0.06	0.06	0.06
Georgia	0.06	0.06	0.06
Germany	5.48	5.48	5.48
Ghana	0.06	0.06	0.06
Greece	0.35	0.35	0.35
Grenada	0.06	0.06	0.06
Guatemala	0.06	0.06	0.06
Guinea	0.06	0.06	0.06
Guinea-Bissau	0.06	0.06	0.06
Guyana	0.06	0.06	0.06
Haiti	0.06	0.06	0.06
Honduras	0.06	0.06	0.06
Hungary	0.18	0.18	0.18
Iceland	0.06	0.06	0.06
India	0.85	0.85	0.85
Indonesia	0.55	0.55	0.55
Iran (Islamic Republic of)	0.38	0.38	0.38
Iraq	0.09	0.09	0.09
Ireland	0.60	0.60	0.60
Israel	0.41	0.41	0.41
Italy	2.75	2.75	2.75
Jamaica	0.06	0.06	0.06
Japan	7.50	7.50	7.50

	2017	2018	2019
	%	%	%
Jordan	0.06	0.06	0.06
Kazakhstan	0.17	0.17	0.17
Kenya	0.07	0.07	0.07
Kiribati	0.06	0.06	0.06
Kuwait	0.25	0.25	0.25
Kyrgyzstan	0.06	0.06	0.06
Lao People's Democratic Republic	0.06	0.06	0.06
Latvia	0.06	0.06	0.06
Lebanon	0.06	0.06	0.06
Lesotho	0.06	0.06	0.06
Liberia	0.06	0.06	0.06
Libya	0.11	0.11	0.11
Lithuania	0.06	0.06	0.06
Luxembourg	0.27	0.27	0.27
Madagascar	0.06	0.06	0.06
Malawi	0.06	0.06	0.06
Malaysia	0.60	0.60	0.60
Maldives	0.06	0.06	0.06
Mali	0.06	0.06	0.06
Malta	0.06	0.06	0.06
Marshall Islands	0.06	0.06	0.06
Mauritania	0.06	0.06	0.06
Mauritius	0.06	0.06	0.06
Mexico	1.16	1.16	1.16
Micronesia (Federated States of)	0.06	0.06	0.06
Monaco	0.06	0.06	0.06
Mongolia	0.06	0.06	0.06
Montenegro	0.06	0.06	0.06
Morocco	0.11	0.11	0.11
Mozambique	0.06	0.06	0.06

	2017	2018	2019
	%	%	%
Myanmar	0.06	0.06	0.06
Namibia	0.06	0.06	0.06
Nauru	0.06	0.06	0.06
Nepal	0.06	0.06	0.06
Netherlands	1.58	1.58	1.58
New Zealand	0.31	0.31	0.31
Nicaragua	0.06	0.06	0.06
Niger	0.06	0.06	0.06
Nigeria	0.16	0.16	0.16
Norway	0.76	0.76	0.76
Oman	0.13	0.13	0.13
Pakistan	0.13	0.13	0.13
Palau	0.06	0.06	0.06
Panama	0.12	0.12	0.12
Papua New Guinea	0.06	0.06	0.06
Paraguay	0.06	0.06	0.06
Peru	0.16	0.16	0.16
Philippines	0.30	0.30	0.30
Poland	0.62	0.62	0.62
Portugal	0.41	0.41	0.41
Qatar	0.83	0.83	0.83
Republic of Korea	2.18	2.18	2.18
Republic of Moldova	0.06	0.06	0.06
Romania	0.14	0.14	0.14
Russian Federation	2.77	2.77	2.77
Rwanda	0.06	0.06	0.06
Saint Kitts and Nevis	0.06	0.06	0.06
Saint Lucia	0.06	0.06	0.06
Saint Vincent and the Grenadines	0.06	0.06	0.06
Samoa	0.06	0.06	0.06

	2017	2018	2019
	%	%	%
San Marino	0.06	0.06	0.06
Sao Tome and Principe	0.06	0.06	0.06
Saudi Arabia	1.12	1.12	1.12
Senegal	0.06	0.06	0.06
Serbia	0.06	0.06	0.06
Seychelles	0.06	0.06	0.06
Sierra Leone	0.06	0.06	0.06
Singapore	1.01	1.01	1.01
Slovakia	0.11	0.11	0.11
Slovenia	0.06	0.06	0.06
Solomon Islands	0.06	0.06	0.06
Somalia	0.06	0.06	0.06
South Africa	0.39	0.39	0.39
South Sudan	0.06	0.06	0.06
Spain	2.03	2.03	2.03
Sri Lanka	0.08	0.08	0.08
Sudan	0.06	0.06	0.06
Suriname	0.06	0.06	0.06
Swaziland	0.06	0.06	0.06
Sweden	0.71	0.71	0.71
Switzerland	1.04	1.04	1.04
Syrian Arab Republic	0.06	0.06	0.06
Tajikistan	0.06	0.06	0.06
Thailand	0.59	0.59	0.59
The former Yugoslav Republic of Macedonia	0.06	0.06	0.06
Timor-Leste	0.06	0.06	0.06
Togo	0.06	0.06	0.06
Tonga	0.06	0.06	0.06
Trinidad and Tobago	0.06	0.06	0.06
Tunisia	0.06	0.06	0.06

	2017	2018	2019
	%	%	%
Turkey	1.30	1.30	1.30
Turkmenistan	0.06	0.06	0.06
Uganda	0.06	0.06	0.06
Ukraine	0.10	0.10	0.10
United Arab Emirates	2.25	2.25	2.25
United Kingdom	4.27	4.27	4.27
United Republic of Tanzania	0.06	0.06	0.06
United States	20.24	20.24	20.24
Uruguay	0.06	0.06	0.06
Uzbekistan	0.06	0.06	0.06
Vanuatu	0.06	0.06	0.06
Venezuela (Bolivarian Republic of)	0.41	0.41	0.41
Viet Nam	0.14	0.14	0.14
Yemen	0.06	0.06	0.06
Zambia	0.06	0.06	0.06
Zimbabwe	0.06	0.06	0.06
	100.00	100.00	100.00

Agenda Item 53: Report on the Working Capital Fund

53.1 At its first meeting, the Administrative Commission examined A39-WP/71, AD/10, which reports on the adequacy of the level of the Working Capital Fund, the financial position of the Organization, and the financial trends affecting the necessary level of that Fund. The Commission considered the recommendation to maintain the level of the Working Capital Fund at USD 8.0 million for the next triennium, to establish the level of the Working Capital Fund at a level no higher than USD 10.0 million if the Council determines that it is warranted, and to maintain the borrowing authority at no time to exceed the current level of CAD 3.0 million for the next triennium.

53.2 One Member State mentioned that it took note, supports and approves the Resolution. Another Member State agreed that it is not necessary to increase the level of the Working Capital Fund at this time.

53.3 After consideration, the Commission recommended adoption of the following Resolution.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 53/1

Working Capital Fund

The Assembly:

I. Notes that:

- a) in accordance with Resolution A38-27, the Council has reported upon, and the Assembly has considered, the adequacy of the level of the Working Capital Fund and the related borrowing authority;
- b) the accumulation of contributions in arrears has constituted, together with the delays in payment of current year contributions, a growing obstacle to the implementation of the work programme while creating financial uncertainty;
- c) based on past trends, there is only a limited risk that the level of the Working Capital Fund may not be sufficient to cover the needs in the foreseeable future;
- d) experience has shown that in general payments are not made at the beginning of the year when contributions are due and that ICAO cannot rely on contributions being paid even by the end of the year to which they relate and that such unacceptable avoidance of their financial obligations under the Convention by some Member States is leading to a potential financial crisis within the Organization that could impact all Member States;
- e) as long as the cash flow remains uncertain, ICAO would need the Working Capital Fund as a buffer on which it could draw to meet its unavoidable cash commitments; and

- f) the Council reviewed the financial situation of the Organization and the level of the Working Capital Fund in February 2016 and noted that it has not been necessary to use the Working Capital Fund in 2015.

2. *Resolves that:*

- a) the level of the Working Capital Fund remain at USD 8.0 million;
- b) the Council shall continue to monitor the level of the Working Capital Fund no later than November 2017, 2018 and 2019 to determine if an increase is urgently needed during that year or for the following year;
- c) if the Council determines that it is warranted, the level of the Working Capital Fund shall be established at a level no higher than USD 10.0 million, subject to increases resulting from advances paid by new States becoming members of the Organization after approval of the scales. Such adjustment to the Working Capital Fund will be based on the scales of assessment in effect for the year for which the increase in the level of the Working Capital Fund is approved;
- d) the Secretary General be authorized, with the prior approval of the Finance Committee of the Council, to finance regular and supplementary appropriations that cannot be financed from the General Fund and the Working Capital Fund, by borrowing externally amounts needed to meet immediate obligations of the Organization, and that the Secretary General be required to repay such amounts as rapidly as possible; the outstanding total of such indebtedness of the Organization at no time to exceed CAD 3.0 million during the triennium;
- e) the Council shall report to the next ordinary session of the Assembly:
 - i) on the adequacy of the level of the Working Capital Fund in the light of experience during 2016, 2017 and 2018;
 - ii) whether the financial position of the General Fund and the Working Capital Fund would indicate the need for assessing Member States for cash deficits caused by arrears of contributions; and
 - iii) on the appropriateness of the level of the borrowing authority;
and
- f) Resolution A38-27 is no longer effective and is hereby superseded; and

3. *Urges:*

- a) all Member States to pay their assessments as early as possible in the year in which they fall due in order to lessen the likelihood of the Organization having to draw on the Working Capital Fund and resort to external borrowing; and
- b) the Member States in arrears to meet their obligations to the Organization as promptly as possible, as called for by Resolution [A39-xx].

Agenda Item 54: Disposition of cash surplus/deficit

54.1 At its first meeting, the Commission examined A39-WP/70, AD/9, dealing with the disposition of cash surplus/deficit.

54.2 The Commission noted the financial results for the year ended 31 December 2015, showing a cash deficit of CAD 14.6 million as at the end of December 2015. One Member State noted the improvement in the cash deficit position during the last triennium and recommends to pursue the efforts in the future. The Commission noted that this deficit is being considered as temporary and may be eliminated by the immediate payment of all assessments in arrears by Member States. The Commission confirmed that there is no need to assess Member States to finance the deficit.

Agenda Item 55: Amendment of the Financial Regulations

55.1 The Commission reviewed, during its first meeting, A39-WP/67, AD/6 that presents amendments to the Financial Regulations 5.9, 7.3 and 11.4.

55.2 The Commission noted one Delegation's reservation that it does not support all the proposed changes to the Financial Regulations. The Secretary of the Commission clarified these amendments: a) the increased flexibility in Financial Regulation 5.9 for budget transfers due to the unique budget structure of ICAO, under which the budget is appropriated into seven different lines instead of a single one; b) the use of the Working Capital Fund in Financial Regulation 7.3 is contemplated only when the Council has approved a supplementary appropriation to meet unforeseen and mandatory expenditure - thus the use of the Working Capital Fund is a temporary measure pending invoicing of Member States for the supplementary appropriation and eventual receipt of those funds; and c) the threshold of the write-off authority given to the Secretary General under Financial Regulation 11.4 may be revised through a Council decision.

55.3 In addition, one Delegation provided some background on the rationale behind these changes, especially that of Financial Regulations 5.9 and 7.3, when the matter was discussed during the Council sessions. The same Delegation stressed that the intention was to reduce the carryover of savings from one year to another and to give flexibility to the Secretariat to use existing funds for urgent needs instead of having to create a contingency fund.

55.4 Another Delegation reiterated that by providing more flexibility to the Secretary General through the amendment of Financial Regulations, this implies more risks and opportunities, but these can be mitigated by internal controls and monitoring by the auditors.

55.5 Several Delegations expressed their support to the changes to the Financial Regulations as outlined in Appendix A to the working paper, and at the same time agreed that if needed, the oversight and control mechanisms, can be reviewed again by Council.

55.6 In concluding the review of the proposed changes to the Financial Regulations, the Commission recommends the adoption by the Assembly of Draft Resolution 55/1 below.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 55/1

Amendment of the Financial Regulations

Whereas the Council is respectful of the position of the Assembly in approving the Budgets and Appropriations of the Organization;

Whereas the Council is able to meet on a regular basis to deal with exigencies and developments affecting the amounts appropriated;

Whereas the Council requires the flexibility between Assembly sessions to accommodate changes in the financing needs;

The Assembly resolves that the amendments as set out below to Financial Regulations 5.9, 7.3 and 11.4 are confirmed pursuant to Financial Regulation 14.1.

Reg. No.	Edited changes	New revised text
5.9	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding 40 20 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly.	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding 20 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly.
7.3	b) the Working Capital Fund shall be utilized to make advances as necessary: <ul style="list-style-type: none"> i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose; ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and iii) in cases where the Council has approved appropriations under Regulations 5.2 a) and b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified. 	b) the Working Capital Fund shall be utilized to make advances as necessary: <ul style="list-style-type: none"> i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose; ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and iii) in cases where the Council has approved appropriations under Regulations 5.2 a) and b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified.
11.4	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding CAD 20 000 in original value Net Book Value, prior approval of the Finance Committee must be obtained.	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding CAD 20 000 in Net Book Value, prior approval of the Finance Committee must be obtained.

Agenda Item 56: Review of expenditures, approval of accounts and examination of Audit Reports for the financial years 2013, 2014 and 2015

56.1 At its first meeting, the Commission considered the Audited Financial Statements of the Organization and the corresponding audit reports presented as A39-WP/58, AD/2 and Document 10035 for 2013; A39-WP/59, AD/3 and Document 10050 for 2014; A39-WP/60, AD/4 and Document 10067 for 2015 and the consolidated draft Resolution in the Appendix to A39-WP/72, AD/11.

56.2 One Delegation praised the unqualified audit opinions received by the Organization

**CONSOLIDATED RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 56/1: Approval of the accounts of the Organization for the financial years 2013, 2014 and 2015 and examination of the Audit Reports thereon

Whereas the accounts of the Organization for the financial years 2013, 2014 and 2015 and the Audit Reports thereon, submitted by the Cour des Comptes of France (2013) and Corte dei Conti of Italy (2014 and 2015) - members of the Joint Panel of External Auditors of the United Nations and Specialized Agencies - as the External Auditor of ICAO, have been submitted to the Assembly after being circulated to Member States;

Whereas the Council has examined the Audit Reports and submitted them to the Assembly for its review; and

Whereas in accordance with Chapter VIII Article 49 (f) of the Convention, expenditures have been reviewed;

The Assembly:

1. *Notes* the Reports of the External Auditor on the Financial Statements as well as the Secretary General's Comments to the Report of the External Auditor for the financial year 2013;
2. *Notes* the Reports of the External Auditor on the Financial Statements as well as the Secretary General's Comments to the Report of the External Auditor for the financial year 2014;
3. *Notes* the Reports of the External Auditor on the Financial Statements as well as the Secretary General's Comments to the Report of the External Auditor for the financial year 2015;
4. *Approves* the audited Financial Statements for the financial year 2013;
5. *Approves* the audited Financial Statements for the financial year 2014; and
6. *Approves* the audited Financial Statements for the financial year 2015.

Agenda Item 57: Appointment of External Auditor

57.1 At its first meeting, the Commission noted A39-WP/76, AD/12, reporting on action taken by the Council to appoint an External Auditor to audit the accounts of the Organization for the next triennium and seeks confirmation by the Assembly of the action taken by the Council, in accordance with Article XIII of the Financial Regulations.

57.2 One Member State mentioned that the External Auditors should perform performance audits in addition to the mandatory financial audits, and that the work program of the Statutory Auditors should be shared with the Council. The Secretary of the Commission mentioned that two performance audits per year will be completed starting in 2017.

57.3 In conclusion, the Commission recommended and requests the Assembly to confirm the appointment of the Mr. Raffaele Squitieri, President of the Corte dei Conti of Italy as ICAO's External Auditor for the accounts of the financial years 2017, 2018 and 2019; and

57.4 Accordingly, the following Draft Resolution 57/1 is recommended for adoption by the Assembly.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 57/1: Appointment of the External Auditor

The Assembly:

1. *Notes that:*
 - a) the Financial Regulations provide that, subject to confirmation by the Assembly, the Council shall appoint an External Auditor to the Organization; and
 - b) the Council approved the extension of appointment to the President of the Corte dei Conti as External Auditor of ICAO for 2017, 2018 and 2019.
2. *Confirms* the action taken by the Council in appointing Mr. Raffaele Squitieri, President of the Corte dei Conti of Italy, as the External Auditor of ICAO for the financial years 2017, 2018 and 2019.

Agenda Item 58: Other issues to be considered by the Administrative Commission

58.1 At its first meeting, the Commission noted that no ad hoc subjects associated with Agenda Item 58 entitled *Other issues to be considered by the Administrative Commission* were referred to the Administrative Commission at the 39th Session of the Assembly, therefore, no action is required.

Agenda Item 49: Budgets for 2017, 2018 and 2019

49.1 The Administrative Commission had before it working paper A39-WP/46, AD/1 related to the Draft Budget of the Organization for 2017, 2018 and 2019, submitted by the Council of ICAO.

49.2 At the first meeting of the Administrative Commission, held on 29 September 2016, the President of the Council presented the Draft Budget of the Organization for 2017, 2018 and 2019 (A39-WP/46, AD/1). The President stated that this Draft Budget was a product of a long, positive and constructive collaboration between the Council and the Secretariat which resulted in an examination of the Organization's processes and challenged the Organization to find efficiencies and savings while struggling to encompass an enlarged Operating Plan within the confines of a Zero Nominal Growth (ZNG) budget.

49.3 The President noted that this Draft Budget is International Public Sector Accounting Standards (IPSAS) compliant and presented in a results-based format with each Programme under the Strategic Objectives containing required resources and expected results, key outcomes and key performance indicators. This proposed budget document was redesigned to incorporate best-practices in order to make it more relevant by reporting each programme on a full cost-absorption basis.

49.4 In addition, the President emphasized that the Draft Budget maintains the average Assessment of Member States for the next three years at the 2016 level, while retaining all important, existing activities and incorporating incremental initiatives. While provision for Search and Rescue, Meteorological and Emergency Response and Cybersecurity have been included, a focus area of this budget is the strengthening of the Regional Offices. As a result, twelve new posts related to Safety and Security in all regions have been added with an additional two posts being transferred from Headquarters to the Regional Offices. This focus is intended to boost the work related to the No Country Left Behind initiative.

49.5 To achieve the stabilization of Assessments of Member States at their 2016 levels, the President stressed that the contribution for the Ancillary Revenue Generation Fund (ARGF) will increase by 26% over the current triennium to CAD 19.2 million in the next triennium. Although this is an ambitious and challenging target, the President indicated that it is not impossible.

49.6 The President also stated that the Organization continues to actively manage the liability arising from After-Service Health Insurance (ASHI) and has taken steps to contain the liability. It was stated that the Organization would need to initiate steps to begin funding the liability in future triennia.

49.7 The President concluded his remarks by stating that the ability for the Organization to effectively fulfil its mission and responsibilities under the Chicago Convention relies on the continuing support and commitment of Member States in providing adequate levels of funding.

49.8 A presentation was delivered by the Secretary of the Commission on the proposed Budget of CAD 302.1 million as presented in A39-WP/46, AD/1. The Secretary highlighted the fact the Draft Budget is a ZNG budget defined as being built off the third year of the current Budget. Assessments of Member States, which amounts to CAD 277.1 million, is therefore maintained at the 2016 level. Programme-related resources represent 54% of the budget while non-programme related resources represent 46%. Approximately one quarter of the total resources are for the Regional Offices. It was

highlighted that although 32% of the total resources is dedicated to Programme Support, over 40% of these resources are for Language Services.

49.9 A summary of the funding sources was presented which included the increase from the ARGF as well as a transfer of CAD 1.0 million from Incentive Scheme of Long-outstanding Arrears which will be used to fund the addition of two Security posts in the Regional Offices.

49.10 It was stated that the Operating Plan of the ICAO Business Plan for 2017-2018-2019 was used as a basis of the Draft Budget. And it was highlighted that this Draft Budget involved no current staff cuts while at the same time twelve new posts in the Regional Offices are added as well as two posts transferred from Headquarters. Among other highlights is the enhancement of the IT infrastructure and two new initiatives within Language Services - succession planning and quality management - while maintaining current funding by optimizing resources with transformational processes. Critical tasks such as emergency response, search and rescue and cybersecurity will be performed with the existing headcount.

49.11 In addition, the Secretary reiterated that the Draft Budget was a result of, among others, increases in non-assessed income, reduction of mission travel, printing and distribution costs, a continuing and on-going review of staffing needs, deferment of end-of-service and recruitment costs resulting from the increase in the mandatory age of separation, and maintaining the vacancy rate. The Secretary expressed appreciation for the work of the Chairperson of the Finance Committee, Mr. Dionisio Mendez, for facilitating the discussions on the Budget.

49.12 Although many Delegates supported the Draft Budget as proposed, two Delegations wished to have it noted that the methodology used by the Organization in the calculation of a ZNG budget was not true ZNG. These Delegations noted that a true Zero Nominal Growth budget implies no monetary increase.

49.13 Another Delegate recommended that more funds be allocated to safety and security areas in the Africa-Indian Ocean (AFI) Regions, aligned with the strengthening of the Regional Offices, including the enhancement of capabilities in the areas of regulatory capacity, dealing specifically with those with low implementation of global standards. In addition, they recommended that a cyber-security vulnerability assessment be conducted. The Delegation noted the overreliance on the ARGF (as the contribution of this fund to the Regular Programme for the next triennium will increase by 26%) and recommended that the ARGF be monitored closely.

49.14 In conclusion, the Administrative Commission supports the Draft Budget and recommends that the Assembly adopt the following draft Resolution relating to the Indicative Budget Estimates of the Administrative and Operational Services Costs (AOSC) of the Technical Cooperation Programme and the Budget for the Regular Programme of the Organization for 2017, 2018 and 2019.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 49/1:

Budgets for 2017, 2018 and 2019

A. *The Assembly*, with respect to the Budget 2017-2018-2019, *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 2017, 2018 and 2019;

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

B. *The Assembly*, with respect to the Technical Cooperation Programme:

Recognizing that the AOSC are mainly financed by fees 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 Cooperation 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 situation cited above, the annual AOSC net budget figures shown below in Canadian dollars (CAD) for the years 2017, 2018 and 2019 represent indicative budget estimates only:

	2017	2018	2019
Estimated Expenditures	9,560,000	9,700,000	9,930,000

Recognizing that technical co-operation is an important 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; and

Recognizing 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.

Resolves 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.

C. *The Assembly*, with respect to the **Regular Programme**:

Resolves that:

1. separately for the financial years 2017, 2018 and 2019, the following amounts in Canadian dollars, requiring an outlay of funds, are hereby authorized for expenditure for the Regular Programme in accordance with the Financial Regulations, and subject to the provisions of this Resolution:

	2017	2018	2019	Total
Strategic Objective (Programmes)				
SAFETY	22,962,000	23,181,000	24,008,000	70,151,000
AIR NAVIGATION CAPACITY AND EFFICIENCY	14,627,000	15,116,000	15,320,000	45,063,000
SECURITY AND FACILITATION	8,773,000	8,878,000	9,173,000	26,824,000
ECONOMIC DEVELOPMENT OF AIR TRANSPORT	3,112,000	3,182,000	3,494,000	9,788,000
ENVIRONMENTAL PROTECTION	3,432,000	3,484,000	3,883,000	10,799,000
Programme Support	30,957,000	31,774,000	34,076,000	96,807,000
Management & Administration	13,779,000	14,253,000	14,589,000	42,621,000
TOTAL PROPOSED APPROPRIATION	97,642,000	99,868,000	104,543,000	302,053,000
Operational	96,568,000	98,922,000	103,778,000	299,268,000
Capital	1,074,000	946,000	765,000	2,785,000

2. the separate annual Total Authorized Appropriation be financed as follows in Canadian dollars, in accordance with the Financial Regulations:

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	2017	2018	2019	Total
a) Assessments on States	89,344,000	91,540,000	96,181,000	277,065,000
b) Reimbursement from AOSC Fund	1,202,000	1,202,000	1,202,000	3,606,000
c) Transfer from ARGF Surplus	6,415,000	6,415,000	6,416,000	19,246,000
d) Transfer from Incentive Scheme for Long- Outstanding Arrears Account	333,000	333,000	334,000	1,000,000
e) Miscellaneous Income	348,000	378,000	410,000	1,136,000
TOTAL:	97,642,000	99,868,000	104,543,000	302,053,000

- END -