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**EXECUTIVE COMMITTEE
ADMINISTRATIVE COMMISSION**

Agenda Item 10: Contributions in arrears

Agenda Item 44: Contributions in arrears

FINANCIAL ASPECTS OF THE QUESTION OF CONTRIBUTIONS IN ARREARS

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY

This paper provides information on the status of contributions in arrears and of Member States that had their voting rights deemed suspended as at 16 September 2019. This working paper also deals with the impact of delays in receipt of contributions, measures in dealing with contributions in arrears and the incentive scheme for settlement of arrears.

The list of States that are in arrears is in Appendix A; States that have entered into agreements to settle their outstanding assessments over a period of years are listed in Appendix B; and States that have their voting rights deemed suspended are in Appendix C.

Action: Pursuant to Assembly Resolution A39-31 the Assembly is invited to note the progress made in the collection of long outstanding arrears.

<i>Strategic Objectives:</i>	This working paper relates to Supporting Implementation Strategy – Budget and Financial Management.
<i>Financial implications:</i>	The delay in the receipt of contributions impacts the cash resources of the Organization and could impact programme delivery.
<i>References:</i>	A39-WP/61 Doc 10075, <i>Assembly Resolutions in Force (as of 6 October 2016)</i> Doc 7515, <i>The ICAO Financial Regulations</i> Doc 7300, <i>Convention on International Civil Aviation</i> , signed at Chicago on 7 December 1944 and amended by the ICAO Assembly

1. INTRODUCTION

1.1 Article 62 of the Convention on International Civil Aviation (Chicago, 1944) stipulates that the Assembly may suspend the voting rights 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. Assembly Resolution A39-31 contains resolving clauses that, inter alia, require Member States to recognize the necessity to pay their contributions in the year in which they fall due, set out the conditions and terms under which Member States may enter into agreements to liquidate long-outstanding arrears, and make reference to the application of the provisions of Article 62 of the Convention relating to the suspension of voting rights. Assembly Resolution A39-31 also directs the Council to further intensify the current policy of inviting States in arrears to make settlement proposals in accordance with the provisions of the Assembly.

1.2 Assembly Resolution A38-25 describes the incentives for the settlement of long outstanding arrears. In addition, Assembly Resolution A38-25, inter alia, requests the Council to closely monitor the question of outstanding contributions, the effect of the incentive schemes on payment of arrears by States, and to report to the next ordinary session of the Assembly on the results of their efforts, including other measures to be considered. This paper addresses these requirements.

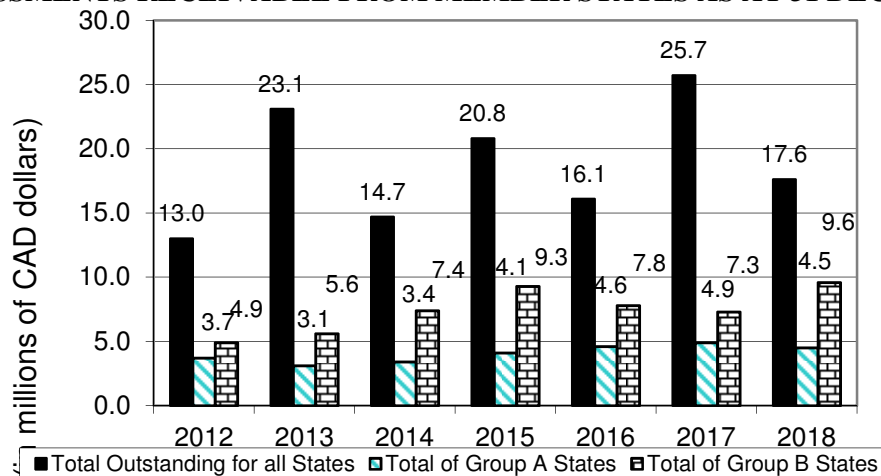
2. STATUS OF CONTRIBUTIONS IN ARREARS

2.1 Status of Contributions in Arrears since 2012

2.1.1 Figure 1 below shows the comparative position of total outstanding assessments as at 31 December for the years 2012 to 2018. The figure also shows separately the arrears for Group A and Group B States (please refer to the definition in paragraph 2.2).

2.1.2 The total outstanding assessments for all States increased from CAD 13.0 million as at 31 December 2012 to CAD 17.6 million as at 31 December 2018. The increase of CAD 4.6 million is attributed, in part, to the increase in Assessments to Member States of CAD 16.0 million, from CAD 83.9 million assessed in 2012 to CAD 99.9 million assessed in 2018. In addition, due to the decreasing value of the Canadian dollar, the amount of CAD 17.6 million at 31 December 2018 includes an increase of CAD 1.8 million due to the revaluation of the outstanding assessments in United States dollars. The percentage of receipts of contributions for 2012 in relation to the amount assessed was 95.6 per cent; for the year 2018 the percentage was 96.0.

FIGURE 1
ASSESSMENTS RECEIVABLE FROM MEMBER STATES AS AT 31 DECEMBER



2.2 **Status of Contributions in Arrears as at 16 September 2019**

2.2.1 The total contributions in arrears as at 16 September 2019 was CAD 12.3 million of which CAD 10.6 million was for arrears in respect of 2017 and prior years and CAD 1.7 million was related to arrears for 2018. Appendix A contains a schedule of unpaid contributions as at 16 September 2019 for all financial years presented in the following four groups:

Group A - States that have concluded agreements with the Council to liquidate their arrears over a period of years in accordance with Assembly Resolution A39-31, Resolving Clauses 3 and 4. (9 States);

Group B - States with contributions in arrears equivalent to the assessments of the three preceding years or more and which have not concluded agreements with the Council to liquidate their arrears. (11 States);

Group C - States with contributions in arrears for more than one year, but less than three full years. (6 States); and

Group D - States with contributions outstanding only for the year 2018 (5 states).

2.2.2 In accordance with their agreements, Group A States are required to pay the current year assessment and an agreed annual instalment to liquidate long-outstanding prior years' arrears of assessments. Appendix B shows the status of assessments and instalments outstanding for prior years in respect of Group A States as at 16 September 2019.

2.3 **Impact of Delays in Receipt of Contributions**

2.3.1 Delays in the payment of contributions by Member States against the current year assessments and arrears, which continue to be a matter of concern, have an adverse impact on the cash position of the Organization and the possible delay in the implementation of the work programmes. Member States have an obligation to ensure that the Organization continues to operate effectively. In previous triennia, accumulated cash surplus covered shortfall in receipt of the current year's dues. However, the Organization is currently in a cash deficit situation and the accumulation of contributions in arrears created serious cash flow difficulties at certain times.

3. **MEASURES IN DEALING WITH CONTRIBUTIONS IN ARREARS**

3.1 **Advising States of Balances Outstanding**

3.1.1 The Organization follows up on the collection of assessments in accordance with Resolving Clause 2 of Assembly Resolution A39-31, Financial Regulations 6.4 and 6.5, and Financial Rule 106.4. For practical reasons, the State letters have been issued in May (reflecting status at April) upon completion of the External Audit, in August (for status at July) and November (for status at October, as well as to inform of the assessment for the following year). In addition, the status of contributions is published on the ICAO web site, with access restricted to Member States. To further enhance the frequency and timeliness of the information available to Member States a new process of providing electronic monthly statements of account to Member States was instituted in November 2015.

3.1.2 The President of the Council and the Secretary General make every possible effort, not only by means of letters to States, but also through personal contacts during their visits to Member States and when meeting with delegations at ICAO Headquarters, to urge settlement of outstanding contributions. The Regional Offices are also provided periodic updates on the status of outstanding contributions and are requested to communicate this status through their regional contacts.

3.2 Suspension of Voting Rights under Assembly Resolution A39-31

3.2.1 The power to suspend voting rights is provided under Article 62 of the Convention. In accordance with Clause 6 of Assembly Resolution A39-31, the voting rights in the Assembly are suspended for States that have failed to discharge their financial obligations to the Organization equivalent to the preceding three years' assessments or more, and which have not concluded an agreement or have not complied with the terms of the agreement. In accordance with Resolving Clause 7 of Assembly Resolution A39-31 the voting rights in the Council are suspended for the Council Member States that have annual assessed contributions or part thereof in arrears for longer than 18 months. Both Clauses 6 and 7 have been applied by the Secretariat through a close monitoring of unpaid assessments.

3.2.2 The Financial Regulations require payment of contributions and advances by the first day of the financial year to which they relate or thirty days from receipt of the notification from the Secretary General concerning assessments, whichever is the later. As of 1 January of the following financial year, any unpaid balance of such contributions, payments under terms of agreements for settlement of arrears, and advances to the Working Capital Fund shall be considered to be one year in arrears. Appendix C presents the arrears of the 14 Member States that fall within Article 62 of the Convention, relating to the suspension of voting rights, as at 16 September 2019.

3.2.3 It should be noted that some States delay paying their obligations until immediately prior to the Assembly, and pay only the minimum amount required to reinstate their voting rights. For States with agreements, the minimum amount needed to reinstate voting rights comprises the assessments and instalments due in accordance with their agreement.

3.2.4 Resolving Clause 6 of Assembly Resolution A39-31 provides that suspension of voting rights will be immediately revoked upon either the payment in full of contributions that are in arrears for at least three years or the conclusion with the Council of an agreement to liquidate arrears over a period of time and compliance with the terms of the agreement. Therefore, Group B States would be required to bring the balance of arrears outstanding below the level of three preceding years' assessments. Group A States would be required to comply with the terms of their agreement irrespective of the amount of arrears outstanding. Resolving Clause 7 of the Assembly Resolution, provides that suspension of voting rights in the Council will be immediately revoked upon payment in full of contributions that are in arrears for 18 months.

3.2.5 The additional measures needed to encourage Member States to pay their contributions when due were approved in previous triennia in Clause 10 of Assembly Resolution A39-31, for application to the Member States whose voting rights have been suspended under Article 62 of the Convention. These measures continue to be applied by the Secretary General and monitored by the Council.

3.2.6 In accordance with Clause 11 of Assembly Resolution A39-31 only those States that have no outstanding annual assessed contributions except for the current year's assessment be eligible for election to the Council, Committees and bodies.

3.3 Special Arrangements for payment of arrears

3.3.1 Resolving Clause 4 of Assembly Resolution A39-31 sets out the pre-conditions for entering into an agreement for repayment of arrears. Prior to the previous Assembly Session, eleven States had agreements to settle their arrears. During A-39, prior to the Assembly Vote, three new States negotiated agreements for the repayment of arrears. During this triennium one additional State has signed an agreement and an expired Agreement has been re-negotiated. Four States have paid their arrears well in advance of their Agreement end dates while one State has had their Agreement expire

without complying with the terms of the Agreement and has been moved to Group B. Currently, there are nine States with Agreements for the repayment of their arrears. Appendix B contains the details of the Agreements including settlements which have been received.

3.3.2 In order to discourage the practice by some States of only making a token payment during the Assembly to enter into agreement and restore their voting rights, Clause 4 a) of Assembly Resolution A39-31 requires a minimum payment which includes amounts owing to the Working Capital Fund, the current year contributions in Canadian and United States dollars and a partial settlement of their arrears in the amount of five per cent of the arrears.

3.4 **Incentive Scheme for the Settlement of Long-outstanding Arrears**

3.4.1 The 32nd Session of the Assembly approved Assembly Resolution A32-27, creating the Incentive Scheme for the Settlement of Long-outstanding Arrears and a related special account. Its continuation was confirmed by Assembly Resolution A38-25 in Resolving Clause 3. The amounts and movements in the special account are reported separately.

3.4.2 Noting that States' Assessment cannot be spent twice, the transfer of the arrears of contributions to a separate account in accordance with Assembly Resolution A38-25 is conditional upon there being an unspent cash surplus at the time of transfer. No transfer of funds to this separate account has been made in this triennium due to the negative cash surplus of the Organization.

3.4.3 Therefore, it is proposed to have a periodic review of the incentive scheme throughout the triennium and monitor the status to ensure proper action is taken in the event that the Organization is no longer in a negative cash surplus situation.

4. **CONCLUSION**

4.1 The progress made in the collection of long outstanding arrears since the last Assembly Session continues at a gradual pace. It is essential that we continue to pursue the States with arrears and encourage them to settle their dues in accordance with the ICAO Financial Regulations. States are urged to conclude agreements for the repayment of their arrears in instalments as indicated in Assembly Resolution A39-31 Clause 4.

4.2 It is proposed to continue to monitor the long outstanding arrears and to apply the measures adopted by the Assembly during the next triennium, and to report on the financial aspects of the question of contribution in arrears at the next ordinary session of the Assembly.

APPENDIX A
STATUS OF CONTRIBUTIONS IN ARREARS FOR THE FINANCIAL YEARS 1988-2018
AS AT 16 SEPTEMBER 2019
(in Canadian dollars)

A40-WP/46
Revision No. 1
Appendix A

Member States	2018	2017	2016	2015	2014	2013	2012-1989	Years	Total Arrears	Working Capital Fund	Total Amount Outstanding
Group A											
Cambodia							53 878	(2000-1999)	53 878		53 878
Djibouti	60 998	59 704		59 151	57 845	58 190	929 175	(2012-1990)	1 164 065		1 225 064
Georgia							68 256	(2005-2004)	68 256		68 256
Grenada			61 958	59 151	57 845	58 190	212 412	(2012-1999)	449 556		449 556
Guinea							97 687	(1997-1995)	97 687		97 687
Iraq							119 274	(2009-2005)	119 274		119 274
Liberia	60 998	23 334					151 193	(2003-1994)	174 527		235 525
Sao Tome and Principe	60 998	59 704	61 958	59 151	57 845	58 190	687 075	(2012-1991)	983 924		1 044 922
Sierra Leone							51 702	(2003-1997)	51 702		51 702
Total Group A	182 995	142 742	123 917	177 454	173 536	174 569	2 370 651		3 162 868	0	3 345 864
Group B											
Antigua and Barbuda	60 998	59 704	61 958	59 151	59 424	58 190	963 157	(2012-1989)	1 261 585	2 870	1 325 454
Eritrea	60 998	59 704	61 958	59 151	13 431				194 245		255 243
Gambia	60 998	59 704	61 958	59 151	59 424	45 315	135 818	(2002-1996)	421 371	1 579	483 949
Haiti	60 998	59 704	61 958	59 151	59 424				240 238		301 237
Libya	111 831	109 458	123 917	117 250	14 975				365 600		477 430
Malawi	60 998	59 704	61 958	59 151	57 845	58 190	525 617	(2012-2001)	822 466		883 465
Micronesia, Federated States of	60 998	59 704	61 958	59 151	50 939				231 753		292 751
Nauru	60 998	59 704	61 958	59 151	59 424	58 190	775 036	(2012-1995)	1 073 464	1 579	1 136 042
Palau	60 998	59 704	61 958	59 151	57 845	58 190	224 744	(2012-2008)	521 593		582 591
South Sudan	60 998	59 704	61 958	59 151	35 170				215 984		276 982
Syrian Arab Republic	60 998	59 704	61 958	59 151	57 845	57 818			296 477		357 476
Total Group B	721 815	706 500	743 500	708 762	525 748	335 893	2 624 373		5 644 776	6 028	6 372 620
Group C											
Angola	91 498	70 936							70 936		162 434
Guatemala	60 998	59 704	43 903						103 608		164 606
Iran, Islamic Republic of	386 325	378 130	309 788						687 918		1 074 243
Papua New Guinea	60 998	59 704							59 704		120 703
Saint Vincent and the Grenadines	60 998	55 275							55 275		116 274
Suriname	60 998	59 704	54 309						114 013		175 011
Total Group C	721 816	612 518	408 000	-	-	-	-		1 091 455	0	1 813 271
Group D											
Bhutan	1 123										1 123
Democratic Republic of the Congo	18 269										18 269
Lao People's Democratic Republic	8 838										8 838
Tonga	25 297										25 297
Tuvalu	2 003										2 003
Total Group D	55 530	-	-	-	-	-	-		-	-	55 530
The former Socialist Federal Republic of Yugoslavia*							672 321		672 321		672 321
Grand Total	1 682 158	1 461 760	1 275 416	886 216	699 284	510 462	5 667 344		10 571 420	6 028	12 259 605

* The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained.

** Details may not add to totals due to rounding.

APPENDIX B

CONTRIBUTIONS AND INSTALMENTS PAYABLE FOR PRIOR YEARS
UNDER AGREEMENTS FOR SETTLEMENT OF ARREARS
AS AT 16 SEPTEMBER 2019

(in Canadian dollars)

Member States	Year of Agreement	Term of Agreement in Years	Due in 2018		Due in 2017		Due in 2016		Total Currently Overdue	Total Prior Years Overdue	Due in 2019 and Future Years	Total Due
			Assessment	Instalment	Assessment	Instalment	Assessment	Instalment				
CAMBODIA	2001	20									53 878	53 878
DJIBOUTI	2016	10	60 998	110 436	59 704	110 436			341 575		883 489	1 225 064
GEORGIA	2006	15									68 256	68 256
GRENADA	2017	10									449 556	449 556
GUINEA	2006	20									97 687	97 687
IRAQ	2010	10									119 274	119 274
LIBERIA	2006	20	60 998	16 821	23 334				101 153		134 372	235 525
SAO TOME AND PRINCIPE	2000	20	60 998	21 482	59 704	21 482	61 958	21 482	247 108	776 332	21 482	1 044 922
SIERRA LEONE	2006	20									51 702	51 702
TOTAL			182 995	148 740	142 742	131 919	61 958	21 482	689 836	776 332	1 879 696	3 345 863

NOTE: The amount due each year includes the current year's assessment plus an agreed instalment.

Prior Agreements which have been settled or expired since the last report to the Assembly in A-39.

Member States	Year of Agreement	Term of Agreement in Years	Status of Agreement
Kiribati	2016	5	Paid in full in 2017
Marshall Islands	2016	1	Paid in full in 2017
Turkmenistan	2017	10	Paid in full in 2018
Cook Islands	1999	20	Paid in full in 2019
Gambia	2003	15	Expired without settlement of arrears. Amount owing presented in Appendix A Group B.

APPENDIX C

ARREARS OF MEMBER STATES THAT HAVE THEIR VOTING RIGHTS DEEMED SUSPENDED AS AT 16 SEPTEMBER 2019
(in Canadian dollars and United States dollars)

Group	State	CAD				Total CAD	USD				Total USD	CAD Requested*	USD Requested*
		2018	2017	2016	Over 3 Yrs		2018	2017	2016	Over 3 Yrs			
A	Djibouti	35,701	34,308		275,227	345,236	19,223	19,298		630,041	668,562	125,054	164,529
	Liberia	35,701	23,334			59,035	19,223			114,889	134,112	59,035	32,005
B	Antigua and Barbuda	35,701	34,308	35,737	289,713	395,459	19,223	19,298	19,925	648,237	706,683	289,714	648,238
	Eritrea	35,701	34,308	35,737	47,319	153,065	19,223	19,298	19,925	19,197	77,643	47,320	19,198
	Gambia	35,701	34,308	35,737	101,739	207,485	19,223	19,298	19,925	151,633	210,079	101,740	151,634
	Haiti	35,701	34,308	35,737	67,003	172,749	19,223	19,298	19,925	39,189	97,635	67,004	39,190
	Libya	65,451	62,898	71,473	82,751	282,573	35,243	35,380	39,851	37,594	148,068	82,752	37,595
	Malawi	35,701	34,308	35,737	289,713	395,459	19,223	19,298	19,925	312,379	370,825	289,714	312,380
	Micronesia, Federated States of	35,701	34,308	35,737	67,003	172,749	19,223	19,298	19,925	32,741	91,187	67,004	32,742
	Nauru	35,701	34,308	35,737	289,713	395,459	19,223	19,298	19,925	504,307	562,753	289,714	504,308
	Palau	35,701	34,308	35,737	266,925	372,671	19,223	19,298	19,925	101,068	159,514	266,926	101,069
	Sao Tome and Principe	35,701	34,308	35,737	289,713	395,459	19,223	19,298	19,925	435,067	493,513	289,714	435,068
	South Sudan	35,701	34,308	35,737	67,003	172,749	19,223	19,298	19,925	20,759	79,205	67,004	20,760
Syrian Arab Republic	35,701	34,308	35,737	101,739	207,485	19,223	19,298	19,925	55,529	113,975	101,740	55,530	
Total Outstanding		529,564	497,928	464,580	2,235,561	3,727,633	285,142	266,956	259,026	3,102,629	3,913,753	2,144,435	2,554,246

Group A: States that have concluded agreements with the Council to liquidate their arrears over a number of years, but are not in compliance with the terms of the agreement.

Group B: States with contributions in arrears for three full years or more which have not concluded agreements with the Council to liquidate their arrears.

*Minimum payment necessary in both currencies to restore voting rights.