



WORKING PAPER

ASSEMBLY — 41ST SESSION

**EXECUTIVE COMMITTEE
ADMINISTRATIVE COMMISSION**

Agenda Item 10: Contributions in arrears

Agenda Item 47: Contributions in arrears

**FINANCIAL ASPECTS OF THE QUESTION OF CONTRIBUTIONS IN ARREARS AND
INCENTIVE SCHEME FOR THE SETTLEMENT OF LONG-OUTSTANDING ARREARS**

(Presented by the Council of ICAO)

EXECUTIVE SUMMARY

This paper provides information on the status of contributions in arrears as at 31 December 2021, Member States who have had their voting power deemed suspended as at 11 July 2022, the impact of delays in receipt of contributions, collection efforts, and the incentive scheme for the settlement of arrears.

The following information is also provided:

- Appendix A lists States that are in arrears as at 31 December 2021;
- Appendix B lists States that have entered into agreements to settle their outstanding assessments as at 31 December 2021;
- Appendix C presents the list of States who have had their voting power deemed suspended as at 11 July 2022.

Action: Pursuant to Assembly Resolution A39-31, the Assembly is invited to note the progress made in the collection of long-outstanding arrears, and the status of the special account for the incentive scheme for the settlement of long-outstanding arrears.

<i>Strategic Objectives:</i>	This working paper relates to Supporting Strategy – Budget and Financial Management.
<i>Financial implications:</i>	The delay in the receipt of contributions impacts the cash availability of resources required for programme delivery.
<i>References:</i>	A40-WP/46 Doc 10140, <i>Assembly Resolutions in Force (as of 4 October 2019)</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 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.

1.2 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 power. 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 Resolution.

1.3 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 as at 31 December 2021

2.1.1 The total of contributions in arrears as at 31 December 2021 increased by CAD 12.4 million, from CAD 15.5 million in 2020 to CAD 27.9 million in 2021. However, a large payment of CAD 10.8 million related to 2021 assessment dues was settled in January 2022. The amount of assessments receivable as at 31 December 2021 comprised of CAD 15.6 million relating to 2021 assessments and CAD 12.3 million reflecting arrears in respect of 2020 and prior years. Member States in arrears as at 31 December 2021 are presented in the following four groups:

Group A (6 States): States which 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. In accordance with their agreements, Group A States are required to pay the current year's assessment as well as an agreed-upon 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 31 December 2021;

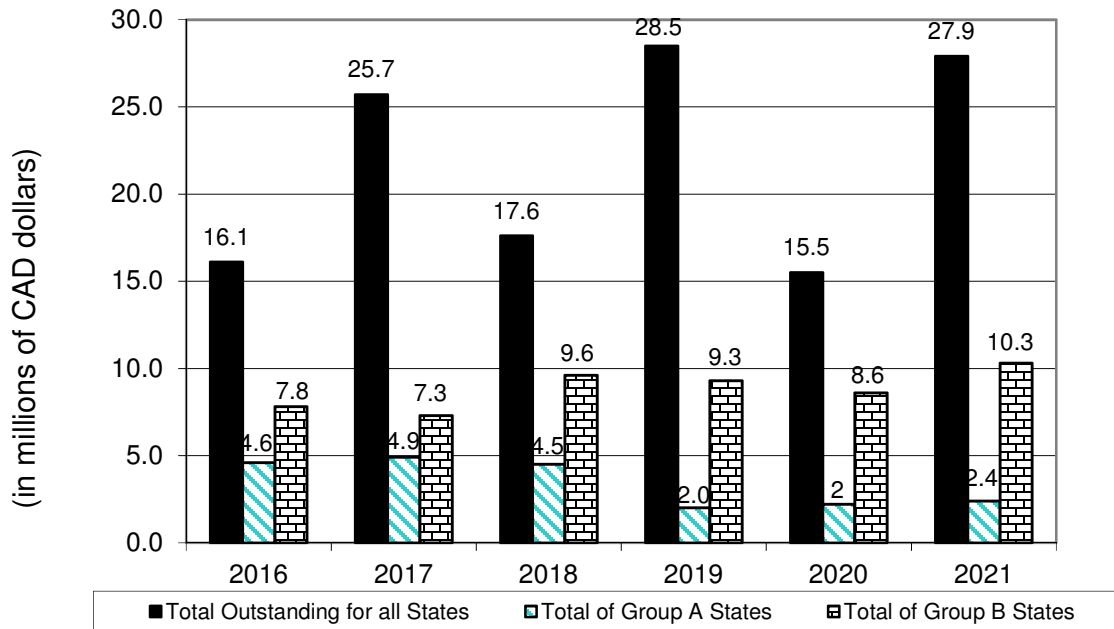
Group B (17 States): States with contributions in arrears equivalent to the assessments of the three preceding years or more, and which have not concluded agreements with the Council to liquidate their arrears;

Group C (12 States): States with contributions in arrears for more than one year, but less than three preceding years; and

Group D (22 states) - States with one year (2021) contributions in arrears.

2.1.2 Figure 1 below shows the comparative position of total outstanding assessments as at 31 December for the past six years, from 2016 to 2021. The figure also shows the arrears for Group A and Group B individually.

FIGURE 1
ASSESSMENTS RECEIVABLE FROM MEMBER STATES AS AT 31 DECEMBER



2.2 Impact of Delays in the Receipt of Contributions

2.2.1 Delays in the payment of contributions by Member States against the current year’s assessments and arrears continue to be a matter of concern. The liquidity crisis of 2020 highlighted ICAO’s vulnerability in the event of unforeseen events that affect cash inflows, and the importance of timely collection of assessments. During this period of unprecedented risk, the Secretariat expended a great deal of effort to reprioritize activities, and had to activate severe austerity measures that impacted the implementation of planned activities. Moreover, the Organization has been reporting a cash deficit position since 2010.

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 Financial Regulations 6.4 and 6.5, and Assembly Resolution A39-31 Resolving Clause 2. In addition to providing electronic monthly statements of account to Member States, the Secretariat issues State letters in May (reflecting status as at April, upon completion of the external audit), in August (reflecting the status as at July), and November (reflecting the status as at October, as well as to inform of the assessment for the following year). The status of contributions is published on the ICAO secure web site on a monthly basis, with access restricted only to Member States. Furthermore, Regional Offices are directly communicating and advocating for timely payments with their regional contacts.

3.2 **Suspension of Voting Power under Assembly Resolution A39-31**

3.2.1 The Financial Regulations require payment of contributions and advances to the Working Capital Fund 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 of the two. 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. Assembly Resolution A39-31 makes reference to the application of the provisions of Article 62 of the Convention relating to the suspension of voting power.

3.2.2 *Voting power in the Assembly:* in accordance with Resolving Clause 6 of Assembly Resolution A39-31, the voting power in the Assembly is suspended for States that have failed to discharge their financial obligations to the Organization equivalent or in excess to the preceding three years' assessments, and which have not concluded an agreement or have not complied with the terms of their agreement. Appendix C presents the arrears of the 16 Member States that fall within Article 62 of the Convention, relating to the suspension of voting power, using the status as at 11 July 2022. This clause further provides that suspension of voting power will be immediately revoked upon the settlement of outstanding amounts due or of the conclusion with the Council of an agreement to liquidate arrears over a period of time and compliance with the terms of the agreement.

3.2.3 *Voting power in the Council:* in accordance with Resolving Clause 7 of Assembly Resolution A39-31, the voting power in the Council is suspended for the Council Member States that have annual assessed contributions, or part thereof, in arrears for longer than 18 months. Furthermore, the clause provides that suspension of voting power in the Council will be immediately revoked upon the settlement of outstanding amounts due.

3.2.4 *Additional measures regarding suspended voting rights:* In accordance with Resolving Clause 10 of Assembly Resolution A39-31, the additional measures were added in order to encourage Member States whose voting rights have been suspended under Article 62 of the Convention, to pay their contributions when due. These measures continue to be applied by the Secretary General and monitored by the Council.

3.2.5 *Election to the Council:* In accordance with Resolving 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.

3.2.6 All of the above clauses have been applied by the Secretariat through a close monitoring of unpaid assessments.

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. During the 40th Session of the Assembly, there were ten active settlement agreements. One State signed a new agreement in September 2019 for the repayment of arrears. Of the eleven agreements, four States complied with and fully settled arrears, while one State did not make the payment required in their agreement, which has now expired. Currently, there are six States with Agreements for the repayment of their arrears. Appendix B provides the status of these agreements as at 31 March 2022.

3.3.2 In order to discourage the practice by some States of only making a token payment during the Assembly in order to enter into an 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's contributions in Canadian and United States dollars, and a partial settlement of their arrears amounting to 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 that provides that subject to cash surplus availability, only that portion of a payment from a Member State that is in excess of the sum of the three preceding years' assessments and all instalments due under agreements entered into under Resolving Clause 4 of Assembly Resolution A37-32 shall be retained in a separate account to finance expenditure on aviation security activities, and new and unforeseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes, such action to be under the control of the Council.

3.4.2 Due to a negative cash position since 2010, no transfer of funds to this separate account has been made in the current triennium. Therefore, there will be no separate Assembly Working Paper on the subject of the Incentive Scheme for the Settlement of Long-outstanding Arrears. The residual surplus balance in the Incentive Scheme fund of CAD 0.2 million will be credited to the Regular Budget for the next triennium.

4. CONCLUSION

4.1 The timely collection of assessed contributions remains a priority for sustaining ICAO's operations. Therefore, it is proposed to retain existing measures included in Assembly Resolutions 39-31. States in Group B are urged to conclude agreements for the repayment of their arrears in instalments as indicated in Assembly Resolution A39-31 Resolving Clause 4.

APPENDIX A

STATUS OF CONTRIBUTIONS IN ARREARS FOR THE FINANCIAL YEARS 1989-2021
AS AT 31 DECEMBER 2021
(in Canadian dollars)

Member States	2021	2020	2019	2018	2017	2016	2015-1989	Years (2015-1989)	Total Arrears	Working Capital Fund	Total Amount Outstanding
Group A											
Angola	84 283	80 812		89 464	19 777				190 053		274 336
Djibouti	63 212	60 609	63 385					(2015-1994)	989 841		1 053 053
Grenada						61 261		(2015-2010)	333 134		333 134
Guinea	63 212	60 609	63 385					(1997-1995)	219 083		282 294
Liberia	63 212	60 609	63 385	2 388				(2003-1994)	257 180		320 392
Sierra Leone	63 212	60 609						(2003-1997)	110 936		174 147
Total Group A	337 129	323 249	190 154	91 852	19 777	61 261	1 413 935		2 100 227	-	2 437 356
Group B											
Antigua and Barbuda	63 212	60 609	63 385	60 326	59 029	61 261	1 117 862	(2015-1989)	1 422 471	2 243	1 487 925
Democratic Republic of the Congo	63 212	60 609	63 385	18 269					142 263		205 475
Dominica	63 212	60 609	41 939						102 548	6 466	172 225
Gambia	63 212	60 609	63 385	60 326	27 966				212 286		275 497
Haiti	63 212	60 609	63 385	60 326	59 029	61 261	28 805	(2015)	333 414		396 626
Iran, Islamic Republic of	358 200	343 452	401 433	382 063	347 513				1 474 461		1 832 661
Libya	63 212	60 609	116 204	110 597	108 220	43 646			439 276		502 488
Malawi	63 212	60 609	63 385	60 326	59 029	61 261	664 250	(2015-2002)	968 860		1 032 071
Micronesia, Federated States of	63 212	60 609	63 385	60 326	59 029	61 261	108 944	(2015-2014)	413 553		476 765
Palau	63 212	60 609	63 385	60 326	59 029	61 261	396 393	(2015-2008)	701 002		764 214
Saint Vincent and the Grenadines	63 212	60 609	63 385	30 580					154 574		217 785
Sao Tome and Principe	63 212	60 609	63 385	60 326	59 029	61 261	821 160	(2015-1992)	1 125 769		1 188 981
South Sudan	63 212	60 609	63 385	60 326	59 029	61 261	93 595	(2015-2014)	398 204		461 416
Suriname	63 212	60 609	63 385	60 326	59 029	53 611			296 960		360 171
Syrian Arab Republic	63 212	60 609	63 385	60 326	59 029	61 261	172 871	(2015-2013)	477 481		540 692
Tonga	63 212	60 609	63 385	24 625					148 619		211 830
Yemen	63 212	60 609	63 385						123 994		187 205
Total Group B	1 369 586	1 313 200	1 446 961	1 169 391	1 014 958	587 344	3 403 881		8 935 735	8 708	10 314 029
Group C											
Afghanistan	63 212	47 821							47 821		111 033
Botswana	63 212	60 609							60 609		123 821
Burundi	63 212	60 609							60 609		123 821
Democratic People's Republic of Korea	63 212	60 609							60 609		123 821
Eritrea	63 212	60 609	24 367						84 976		148 188
Lesotho	63 212	60 609							60 609		123 821
Papua New Guinea	63 212	50 865							50 865		114 077
Solomon Islands	63 212	24 741							24 741		87 953
Timor-Leste	63 212	10 977							10 977		74 189
Turkmenistan	63 212	60 609							60 609		123 821
Venezuela (Bolivarian Republic of)	537 301	65 154							65 154		602 454
Zimbabwe	63 212	9 653							9 653		72 864
Total Group C	1 232 628	572 866	24 367	-	-	-	-	-	597 233	-	1 829 861
Group D											
Argentina	737 471										737 471
Colombia	2 374										2 374
Ecuador	70 250										70 250
El Salvador	26 740										26 740
Eswatini	1 222										1 222
Ethiopia	231 776										231 776
Honduras	162										162
Kiribati	10 379										10 379
Kyrgyzstan	12 985										12 985
Lebanon	63 212										63 212
Myanmar	854										854
Nepal	36 472										36 472
Pakistan	100 683										100 683
Peru	79 738										79 738
Seychelles	63 212										63 212
Somalia	63 212										63 212
Sri Lanka	68 270										68 270
Sudan	9 400										9 400
Tajikistan	53 345										53 345
Tuvalu	62 193										62 193
United States of America	10 798 681										10 798 681
Viet Nam	189 636										189 636
Total Group D	12 682 265	-	-	-	-	-	-	-	-	-	12 682 265
The Former Socialist Federal Republic of Yugoslavia							654 440		654 440		654 440
Grand Total	15 621 608	2 209 315	1 661 482	1 261 243	1 034 735	648 605	5 472 256	-	12 287 635	8 708	27 917 952

APPENDIX B

**CONTRIBUTIONS AND INSTALMENTS PAYABLE FOR PRIOR YEARS
UNDER AGREEMENTS FOR SETTLEMENT OF ARREARS
AS AT 31 December 2021**

(in Canadian dollars)

Contracting States	Year of Agreement	Term of Agreement in Years	Due in 2021		Due in 2020		Due in 2019		Total Currently Overdue	Total Prior Years Overdue	Due in 2022 and Future Years	Total Due
			Assessment	Instalment	Assessment	Instalment	Assessment	Instalment				
ANGOLA	2019	10	84 283		80 812				165 095		109 241	274 336
DJIBOUTI	2016	10	63 212	108 231	60 609	108 231	63 385	108 231	511 898		541 154	1 053 053
GRENADA	2017	10									333 134	333 134
GUINEA	2006	20	63 212	11 952	60 609	11 952	63 385	11 616	222 725		59 570	282 295
LIBERIA	2006	20	63 212	16 374	60 609	16 374	63 385	16 374	236 327	2 388	81 677	320 392
SIERRA LEONE	2006	20	63 212		60 609				123 821		50 327	174 147
TOTAL			337 129	136 556	323 249	136 556	190 154	136 221	1 259 866	2 388	1 175 103	2 437 356

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 A40.

Member States	Year of Agreement	Term of Agreement in Years	Status of Agreement
Cambodia	2001	20	Paid in full in 2021
Cook Islands	1999	20	Paid in full in 2019
Georgia	2006	15	Paid in full in 2021
Iraq	2010	10	Paid in full in 2020
Sao Tome and Principe	2000	20	Expired without settlement of arrears. Amount owing presented in Appendix A Group B

APPENDIX C

ARREARS OF MEMBER STATES THAT HAVE HAD THEIR VOTING RIGHTS DEEMED SUSPENDED AS AT 11 JULY 2022
(in Canadian dollars and United States dollars)

		Year		Currency		Payment		Arrears						Payment	
Group	State	CAD				Total CAD	USD				Total USD	CAD Requested*	USD Requested*		
		2021	2020	2019	Over 3 Yrs		2021	2020	2019	Over 3 Yrs					
A	Angola	48,630	47,825		73,328	169,783	27,832	25,751		28,035	81,618	96,455	53,583		
	Djibouti	36,472	35,868	37,511	220,182	330,033	20,874	19,314	20,198	504,033	564,419	192,419	249,398		
	Guinea	36,472	35,868	37,511		109,851	20,874	19,314	20,198	74,230	134,616	109,851	88,114		
	Liberia	36,472	35,868	37,511		109,851	20,874	19,314	20,198	103,971	164,357	109,851	100,596		
	Sierra Leone	36,472	35,868			72,340	20,874	19,314		39,287	79,475	72,340	40,188		
B	Antigua and Barbuda	36,472	35,868	37,511	395,459	505,310	20,874	19,314	20,198	706,683	767,069	395,460	706,684		
	Democratic Republic of the Congo	36,472	35,868	37,511	18,269	128,120	20,874	19,314	20,198		60,386	18,270	1		
	Haiti	36,472	35,868	37,511	121,499	231,350	20,874	19,314	20,198	68,635	129,021	121,500	68,636		
	Malawi	36,472	35,868	37,511	395,459	505,310	20,874	19,314	20,198	350,825	411,211	395,460	350,826		
	Micronesia, Federated States of	36,472	35,868	37,511	8,325	118,176	20,874	19,314	20,198	19,223	79,609	8,326	19,224		
	Palau	36,472	35,868	37,511	372,671	482,522	20,874	19,314	20,198	159,514	219,900	372,672	159,515		
	Sao Tome and Principe	36,472	35,868	37,511	395,459	505,310	20,874	19,314	20,198	473,315	533,701	395,460	473,316		
	South Sudan	36,472	35,868	37,511	172,749	282,600	20,874	19,314	20,198	79,205	139,591	172,750	79,206		
	Suriname	36,472	35,868	37,511	98,096	207,947	20,874	19,314	20,198	58,446	118,832	98,097	58,447		
	Syrian Arab Republic	36,472	35,868	37,511	207,485	317,336	20,874	19,314	20,198	113,975	174,361	207,486	113,976		
	Tonga	36,472	35,868	37,511		109,851	20,874	19,314	20,198	19,223	79,609	1	19,224		
	Total Outstanding		595,710	585,845	525,154	2,478,982	4,185,691	340,942	315,461	282,772	2,798,599	3,737,774	2,766,399	2,580,934	

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.

- END -