



INTERNATIONAL CIVIL AVIATION ORGANIZATION

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ASSEMBLY — 35TH SESSION

EXECUTIVE COMMITTEE

Agenda Item 18: International Financial Facility for Aviation Safety (IFFAS)

REPORT BY THE COUNCIL ON THE INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY (IFFAS)

SUMMARY

This paper presents a Report by the Council regarding IFFAS activities as well as performance assessment and audited financial statements, as required by Assembly Resolution A33-10, paragraph 7. The objective of IFFAS is to assist Contracting States in financing safety-related projects to correct deficiencies primarily identified through ICAO's Universal Safety Oversight Audit Programme (USOAP) and for which they cannot otherwise provide or obtain necessary financial resources. IFFAS was established by the Council of ICAO on 4 December 2002 and became operational on 18 June 2003. Contributions received by the end of 2003 (US\$1.6 million) enabled IFFAS to commence implementing its funding mechanism. The Report also includes financial statements for the years 2002 and 2003 and a draft consolidated Assembly Resolution for consideration by the Assembly.

Action by the Assembly is in paragraph 5.

REFERENCES

Assembly Resolution A33-10, *Doc 9790*
State Letter M 11/1.02/114 dated 31 December 2002

1. INTRODUCTION

1.1 Assembly Resolution A 33-10 endorsed the concept of an IFFAS and requested the Council to pursue the establishment of IFFAS as a matter of priority early in the 2002-2004 triennium, on the basis of criteria contained in the Resolution. One of the criteria was that IFFAS should be initially implemented within the 2002-2004 triennium.

1.2 This Report is presented in response to Assembly Resolution A33-10, paragraph 7, which requested the Council to submit to the next ordinary session of the Assembly a report regarding IFFAS activities, including performance assessment and audited financial statements.

2. ESTABLISHMENT AND ACTIVITIES OF IFFAS

2.1 As directed by the Assembly, the Council pursued the establishment of an IFFAS as a matter of priority early in the triennium 2002-2004. The Council first considered a draft Administrative Charter of IFFAS prepared by the Secretariat and concluded that further work was necessary before its adoption. A Council Working Group on IFFAS (CWG IFFAS), composed of six Representatives on the Council, was established, with a view to improving the text of the Administrative Charter and finalizing other related documents necessary for its adoption by the Council. On the basis of the Report of this working group, the Council adopted on 4 December 2002 the Administrative Charter of IFFAS, including its Appendices, and thereby established IFFAS.

2.2 Consistent with the principles contained in Assembly Resolution A33-10, IFFAS has the following main features:

- a) IFFAS is driven by a management strategy developed on the principles of, and in conformity with the existing ICAO legal regime;
- b) IFFAS is funded by voluntary contributions from Contracting States, international organizations, as well as public and private parties associated with international civil aviation;
- c) IFFAS operates in complete independence from ICAO's Programme Budget. The IFFAS mechanism is complementary to existing ICAO fund raising mechanisms. IFFAS is an autonomous fund, independent of the control of States, individually or collectively, and their governments; and
- d) IFFAS will be assisted by ICAO with the provision of any administrative or other services only upon request of participating States and on a cost-recovery basis.

2.3 The 34th (Extraordinary) Session of the Assembly (Montreal, 31 March - 1 April 2003) considered under its Agenda Item 5 "Financing of Aviation Security Activities and IFFAS in relation to Assembly Resolutions A33-10 and A33-27" and adopted Assembly Resolution A34-1 by which the Assembly decided *inter alia* to apply, on a non-recurrent basis, funds amounting to approximately US\$1.04 million plus accrued interest, to finance IFFAS-related activities involving the establishment, operation and administration of IFFAS. These funds corresponded to payments from Contracting States with arrears of three full years or

more and which had been retained in a separate account in accordance with Assembly Resolution A33-27. Assembly Resolution A34-1 specified that these funds could be used to finance pilot projects, in whole or in part, which are to be carried out under the auspices of IFFAS for the benefit of a specified group or groups of States at the regional or sub-regional level, but in no case to be made available to any single State as a sole borrower or grantee under IFFAS.

2.4 By delegation of the Council, the President of the Council appointed members of the Governing Body of IFFAS on 18 June 2003. Contributions received (approximately US\$1.6 million by the end of 2003 including the transfer of funds mentioned in paragraph 2.3 above) made it possible for IFFAS to start its operations.

2.5 Since its establishment, the Governing Body of IFFAS has held three meetings:

- At its First Meeting, on 24 November 2003, the Governing Body elected its Chairman and its Vice-Chairman, and appointed its Secretary. It established the Expert Panel, appointed its Members and its Secretary, and adopted its terms of reference. The Governing Body charged the Expert Panel with considering five applications already received for funding projects under IFFAS and requested the Expert Panel to report on prioritization for selection of these projects.
- At its Second Meeting, on 15 January 2004, on the basis of the First Report of the Expert Panel, the Governing Body agreed that one project be selected as a “pilot-project” for assistance by IFFAS. This project, which satisfies most of the established criteria, is a “Cooperative Development of Operational Safety and Continuing Airworthiness Programme” (COSCAP) project presented by the West African Economic and Monetary Union (UEMOA) on behalf of its eight member States, of which seven are Least Developed Countries. The proposed assistance was in the nature of a combination of a loan and a grant, specifically dedicated to the hiring of three experts.
- At its Third Meeting, on 17 May 2004, the Governing Body reviewed the IFFAS Financial Statements for the year 2003 (**Appendix A**) and the IFFAS estimates for the year 2004. It considered an Action Plan for mobilization of funds under IFFAS, including in particular the appointment of IFFAS regional focal points, increased co-operation with industry and strengthening the role of IFFAS as facilitator and catalyst for other sources of funding for safety-related projects. The Governing Body also reviewed a standard application form for assistance from IFFAS which is accessible on line from the IFFAS page of the ICAO Web site at www.icao.int/iffas .

2.6 In their evaluation of the projects, the Expert Panel and the Governing Body gave priority to safety-related projects submitted by least developed countries on a regional or sub-regional basis, considering that the objective of IFFAS is to assist Contracting States in financing safety-related projects to correct deficiencies primarily identified through ICAO’s USOAP Programme and for which they cannot otherwise provide or obtain necessary financial resources. Particular attention was paid to follow through procedures to ensure that expected benefits are not only achieved but also maintained.

3. PERFORMANCE ASSESSMENT

3.1 Since the provision of financial assistance by IFFAS only started in 2004, regular performance assessments will be conducted as of this year. However, regarding the initial period of establishment of IFFAS, it should be mentioned that all possible measures have been pursued to ensure cost effectiveness in the establishment and administration of IFFAS, in particular the following:

- at this early stage, the first objective has been to minimize the administrative costs by using, on a cost recovery basis, the internal resources of ICAO to the extent possible. This applies both to the secretariat functions and to the membership of the Expert Panel in the technical, economic and financial fields;
- limited language services were provided to the Governing Body, all documentation being available in one language only, and no language services were provided to the Expert Panel;
- a synergy has been developed with the USOAP Unit and the Technical Co-operation Bureau of ICAO in the evaluation and selection of projects presented for IFFAS assistance, including the identification of specific elements of projects which could be financed by IFFAS; and
- use of a standard application form will not only expedite processing of an application for assistance from IFFAS but also result in financial savings.

3.2 It should also be noted in this context that the assistance provided by IFFAS is not limited to providing funding. In addition to its essential function of directly funding projects, in whole or in part within the limits of its own financial resources, IFFAS also acts as a catalyst and a facilitator, helping States or groups of States obtain funding from other sources for safety-related projects. Although measurement of results in this important function is difficult, the recognized expertise of IFFAS associated with the ICAO mark will probably contribute to positive results in this regard.

4. FINANCIAL STATEMENTS FOR 2002 AND 2003

4.1 **Appendix A** includes the IFFAS financial statements for the periods ending 31 December 2002 and 31 December 2003. These financial statements are included in the Schedule of Special Accounts/Funds part of the ICAO financial statements for the financial years 2002 and 2003 respectively.

4.2 **Appendix B** details the contributions received, including the fund transfer from the Regular Programme of ICAO, amounting to US\$1 055 190 (US\$1 046 667 plus accrued interest of US\$8 523), which took place in 2003 as per Assembly Resolution A34-1 mentioned in paragraph 2.3 above and shown in the Fund Balances in Appendix A.

4.3 No expenditures were incurred in 2002. The amount of US\$97 641, shown as expenditure in the statement of income and expenditure for the year 2003 in Appendix A, represents administrative expenses. These include, in particular, costs incurred by ICAO: for the establishment of IFFAS; for the preparation and participation in the First Meetings of the Governing Body and of the Expert Panel; for the

analysis of projects by the Members of the Expert Panel in view of their Second Meeting which took place on 5 January 2004; and consultants' costs for the preparation of a Compendium and a CD Rom. From the total amount of administrative expenses above, which amounted to US\$97 641 in 2003, US\$39 817 has been credited to the ICAO regular programme budget. For work performed by the staff of the Joint Financing Section, US\$14 847 has been credited to the account of that Section which is entirely financed from extra-budgetary resources and the remaining US\$42 977 corresponds to costs incurred outside ICAO. No disbursements of financial assistance to projects took place in 2003 since the first project recommended for financial assistance by the Expert Panel was approved by the Governing Body in January 2004.

5. ACTION BY THE ASSEMBLY

5.1 The Assembly is invited to:

- a) note the contents of this Report;
- b) encourage ICAO Contracting States and other interested parties to contribute to IFFAS on a voluntary basis;
- c) invite States and groups of States experiencing difficulties in financing safety-related measures that would correct deficiencies identified in particular by USOAP to present requests for assistance by IFFAS;
- d) provide any further guidance regarding the development of IFFAS; and
- e) adopt the draft Assembly Resolution in **Appendix C**.

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APPENDIX A

INTERNATIONAL CIVIL AVIATION ORGANIZATION
INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY FUND
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2003

(in United States dollars)

INCOME AND EXPENDITURE	2003	2002
INCOME		
Contributions	304 991	222 709
Other Income		
Interest	3 596	3 435
TOTAL INCOME	308 587	226 144
EXPENDITURE		
Salaries and common staff costs	38 537	
General operating expenses	49 828	
Other	9 276	
TOTAL EXPENDITURE	97 641	
Excess of income over expenditure	210 946	226 144
BALANCE OF FUNDS		
Transfers to/from other funds (Note 3 - IFFAS)	1 055 190	
Fund balance, beginning of period	226 144	
BALANCE OF FUNDS, END OF PERIOD	1 492 280	226 144
 ASSETS, LIABILITIES AND FUND BALANCES		
ASSETS		
Cash and term deposits	1 518 150	226 144
TOTAL ASSETS	1 518 150	226 144
LIABILITIES		
Due to other funds	25 870	
TOTAL LIABILITIES	25 870	
BALANCE OF FUNDS		
Represented by:		
Cumulative Surplus	1 492 280	226 144
TOTAL BALANCE OF FUNDS	1 492 280	226 144
TOTAL LIABILITIES AND BALANCE OF FUNDS	1 518 150	226 144

Certified


Salleppan Kandasamy
Chief, Finance Branch

Approved:


J.-C. Bugnet
Secretary, IFFAS Governing Body

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Certified


Salleppan Kandasamy
Chief, Finance Branch

Approved:


J.-C. Bugnet
Secretary, IFFAS Governing Body

APPENDIX B

**IFFAS Contributions Received in 2002
(in United States dollars)**

Contracting States	
Distribution of Cash Surplus on 1 January 2002 (A33-23)	
Algeria	4,105
Angola	565
Argentina	6,715
Benin	256
Bolivia	517
Brunei Darussalam	662
Bulgaria	1,094
Cameroon	237
China	10,000
Congo	253
Cook Islands	552
Democratic People's Republic of Korea	225
Egypt	2,732
Estonia	1,100
Ethiopia	484
France	90,790
Gabon	253
Guinea	383
Hungary	680
India	6,877
Italy	26,101
Jordan	884
Kenya	820
Kuwait	2,129
Lesotho	188
Madagascar	708
Malawi	581
Mauritius	441
Monaco	501
Mongolia	1,070
Netherlands, Kingdom of the	27,500
Oman	1,381
Pakistan	1,754
Paraguay	249
Peru	175
Poland	3,384
Republic of Korea	10,480
Samoa	785
Senegal	55
Singapore	7,236
South Africa	5,461
Sudan	259
Swaziland	441
The former Yugoslav Republic of Macedonia	130
Togo	291
Uganda	725
United Republic of Tanzania	500
Total for 2002	222,709

**IFFAS Contributions Received in 2003
(in United States dollars)**

Contracting States	
Algeria (March 2003)	25,000
Chile (June 2003) (Can\$6 750)	4,891
Nigeria (June 2003)	100
Nigeria (September 2003)	250,000
Netherlands (December 2003)	25,000
Sub total	304,991
Fund transfer (Assembly Resolution 34-1) (including accrued interest)	1,055,190
Total for 2003	1,360,181

**IFFAS Contributions in 2004 as at 15 June 2004
(in United States dollars)**

Contracting States or Organizations	
Contributions received:	
Russian Federation (February 2004) (Note 1)	120,000
Agence Intergouvernementale de la Francophonie (March 2004) (Note 2)	105,900
Sub total	225,900
Amounts pledged, not yet received as at 15 June 2004:	
Algeria	75,000
Germany	50,000
European Commission (200 000 Euros at UN rate of June 2004 of 0.816)	245,098
Sub total	370,098
Total for 2004 (Note 3)	595,998

Note 1: The Russian Federation has pledged the same amount annually.

Note 2: This contribution is the first instalment to cover the cost of an associate expert dedicated to the administration of IFFAS for a two-year period.

Note 3: This total does not include pledges made for undetermined amounts.

APPENDIX C

RESOLUTION FRAMED BY THE EXECUTIVE COMMITTEE AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY

Resolution 18/

International Financial Facility for Aviation Safety (IFFAS)

Whereas under Article 44 of the Chicago Convention the aims and objectives of ICAO *inter alia* are to foster planning and development of international air transport so as to ensure the safe and orderly growth of international civil aviation, meet the needs of the people of the world for safe, regular and economical air transport, and promote safety of flight in international air navigation;

Whereas under Article 69 of the Chicago Convention, if the Council is of the opinion that the airports and air navigation facilities of a Contracting State are not reasonably adequate for the safe, regular, efficient and economical operation of international air services, the Council shall consult with the State directly concerned, and other States affected, with a view to finding means by which the situation may be remedied, and may make recommendations for that purpose;

Whereas in pursuance of Resolution A32-11, the Council has brought into effect, from 1 January 1999, a Universal Safety Oversight Audit Programme, and the results of the initial audits of almost all Contracting States under that Programme have been received;

Whereas these audits have revealed that a number of Contracting States have to draw on scarce resources from other national priorities in order to implement effective safety oversight and that these States will require various degrees of assistance to meet their safety oversight responsibilities;

Whereas most developing States experience difficulties in gaining access to many financial market sources, particularly foreign capital markets, for funding their airport and air navigation services infrastructure, including safety-related components of that infrastructure;

Whereas the 33rd Session of the Assembly, satisfied with the Council's study demonstrating the need for an IFFAS, endorsed the establishment of IFFAS;

Considering that IFFAS will provide financial support towards achieving the objectives of improving aviation safety, through the implementation of the necessary corrective measures identified in the ICAO Universal Safety Oversight Audit Programme (USOAP);

The Assembly:

1. *Expresses appreciation* to the Council and the Secretary General for:
 - a) preparing and adopting a clear administrative charter for IFFAS, taking into account the principles and objectives in Resolution A33-10, in particular voluntary participation by States; eligibility for benefits by a State dependent on contributions or other participation by that State; and complete independence from ICAO's Programme Budget;

- b) establishing an International Financial Facility for Aviation Safety (IFFAS);
 - c) establishing a Governing Body of IFFAS which ensures adequate representation from amongst participating parties;
 - d) developing Rules of Procedure and guidelines for the Governing Body of IFFAS consistent with ICAO's legal regime; and
 - e) ensuring initial implementation of IFFAS within the 2002-2004 triennium;
2. *Invites* Contracting States experiencing difficulties in financing measures necessary to correct safety-related deficiencies identified through the ICAO Universal Safety Oversight Audit Programme (USOAP) as an element of the Global Aviation Safety Plan (GASP) to take advantage of the assistance which can be offered by IFFAS in the financing of such measures by direct funding or as a facilitator and catalyst for other sources of funding, in order to ensure that required aviation safety standards be maintained globally;
 3. *Urges* Contracting States to consider participation in IFFAS by making voluntary financial or in kind contributions to the Facility;
 4. *Strongly encourages* international organizations (private and public) having association with international aviation, airlines, airports, providers of air navigation services, manufacturers of airframes, engines and avionics, other members of the aerospace industry, and civil society, to make voluntary financial or in kind contributions to IFFAS;
 5. *Requests* the Council to submit to the next ordinary session of the Assembly a report regarding IFFAS activities, including performance assessment and audited financial statements; and
 6. *Declares* that this Resolution supersedes Resolution A33-10.

— END —