



ASSEMBLY — 35TH SESSION

PLENARY

**Agenda Item 7 Annual Reports of the Council to the Assembly for 2001, 2002 and
: 2003**

**TRANSITIONAL ARRANGEMENT BETWEEN ICAO AND THE
AFRICAN CIVIL AVIATION COMMISSION (AFCAC)**

SUMMARY

The Transitional Arrangement between ICAO and AFCAC is due to terminate on 31 December 2004. AFCAC has requested a further extension of the Transitional Arrangement. The Council proposes that the transition period leading to AFCAC's becoming financially independent be extended until 31 December 2006.

Action by the Assembly is in paragraph 6.

REFERENCES

Doc 9730, *Assembly Resolutions in Force*

Doc 9791, A33-EX

Doc 9723, A32-EX

Doc 9659, A31-EX

Doc 9545, A27-EX

**1. EARLIER AND PRESENT TRANSITIONAL
ARRANGEMENTS BETWEEN ICAO AND THE
AFRICAN CIVIL AVIATION COMMISSION (AFCAC)**

1.1 In 1989, the 27th Session of the Assembly reviewed ICAO's financial relationship with the regional civil aviation bodies. A particular concern was that ICAO was making substantial advances for the operation of these bodies but such advances were not always fully reimbursed to ICAO by the member States of those bodies. The Assembly concluded that the system of advances of funds by ICAO should be discontinued following a suitable transition period, which it envisaged should continue until 31 December 1995 (Doc 9545, A27-EX, para. 16:9).

- 1.2 The 27th Session also adopted Resolution A27-17 which, *inter alia*:
- a) re-affirms that “the Organization supports the work and activities of any existing or future regional civil aviation bodies wherever such support is requested by the regional body concerned and duly approved ...” and that “any financial support ... such as in continued provision of Secretariat services, should be approved by the Assembly as part of the Organization’s Regular Programme budgets ...”; and
 - b) directs the Council “to conclude with each regional civil aviation body appropriate working arrangements that reflect the above principles ...”.

1.3 In 1990, in pursuance of Resolution A27-17, the Council approved a draft agreement between ICAO and AFCAC on transitional arrangements which took effect on 1 January 1991 and remained in place until 31 December 1995. It also decided that the accumulated arrears of AFCAC States should not be allowed to exceed their level at 31 December 1990, namely U.S.\$2 144 000.

1.4 In 1995 and 1998, the 31st and 32nd Sessions of the Assembly approved extensions of the transition period for three years on both occasions and the Council drew up new transitional arrangements with AFCAC accordingly.

1.5 In 2001, the 33rd Session of the Assembly approved the extension of the transitional arrangement period for three more years, ending 31 December 2004. The Assembly also requested the Council to draw up a revised transitional arrangement with AFCAC to cover this three-year period, including provisions to ensure that any financial risk to ICAO continues to be minimized and monitored closely by ICAO and that further progress is made in reducing the cumulative amount of advances due to ICAO.

2. **IMPLEMENTATION OF THE TRANSITIONAL ARRANGEMENT**

- 2.1 The main features of the revised transitional arrangement for 2002 to 2004 are as follow:
- a) the stated objective is to define the financial relations between ICAO and AFCAC, for the last stage of the transition leading to AFCAC becoming financially autonomous on 1 January 2005;
 - b) during the three-year period, ICAO would continue to provide advances to AFCAC and to manage AFCAC funds in accordance with the provisions of the ICAO Financial Regulations;

- c) AFCAC expenditures would be managed in such a manner as to ensure that the accumulated advance does not exceed a certain agreed level and both AFCAC and ICAO would continue their efforts to recover arrears. A new maximum level of advance from ICAO was set at U.S. \$1 835 000; and
- d) ICAO would continue to assume contractual and administrative responsibility for AFCAC-funded posts up to the end of the year 2004 and to provide ICAO staff and Secretariat support to AFCAC at similar levels as existed during the 1999 - 2001 period (i.e. two Professional and two General Service posts).

2.2 Since the 33rd Session of the Assembly, State letters have been sent three times per year to AFCAC States, reflecting the status of contributions and urging AFCAC States in arrears to utilize the provisions of Assembly Resolution A21-10 and AFCAC Resolution S15-8. Two of the 45 member States that are in arrears have concluded an agreement to settle their outstanding contributions, which is the same number as in 1999. Since the new AFCAC Constitution calls for voting rights of States to be suspended if arrears exceed the level of contributions for the three preceding years, a letter was issued to all AFCAC States prior to the AFCAC Plenary Session in May 2004, informing them of the balances owing and informing them of the amounts due if they wish to enter into an arrangement for payment of arrears by instalment. Consideration is also being given to the possibility of ICAO providing, on a monthly basis, a status of contributions to the AFCAC Secretariat for posting on the AFCAC website. This would assure more timely information on status at relatively little additional cost.

2.3 At 30 April 2004, the balance of outstanding assessments due to AFCAC from member States amounted to U.S. \$ 3.4 million. Assessments received up to that date amounted to U.S. \$ 136 392, of which U.S. \$ 54 691 pertained to the current year and U.S. \$ 81 701 pertained to the prior years' contributions. Total receipts to date represent 35 per cent of the assessed budget for 2004.

2.4 ICAO advances funds to AFCAC, pending the receipt of its contributions, to enable it to continue its operations. During the triennium, the net funds advanced to AFCAC have consistently been maintained below the level of U.S. \$1 835 000 established by the 33rd Session of the Assembly. The level of funds advanced as at 30 April 2004 was approximately U.S. \$ 1 816 000. This has been achieved by strictly limiting the annual expenditure to the funds received in the year.

3. **REQUEST FROM AFCAC**

3.1 The President of AFCAC, by letter dated 26 September 2003 addressed to the President of the Council, requested a further extension of the current transitional arrangement between ICAO and AFCAC, which is due to terminate on 31 December 2004.

3.2 The President of AFCAC explained in his letter that, in these circumstances, AFCAC felt that it was necessary to request a renewal of the current arrangement beyond 31 December 2004 (on the

same basis or with some modifications). On previous occasions, the extension has been for a three-year period. On this occasion, the letter noted that the arrangement might not need to extend to 31 December 2007 (which corresponds to three years) if, in the meantime, AFCAC became ready for autonomy.

3.3 Any extension of the transitional arrangement between ICAO and AFCAC needs to be presented to the Assembly for its decision, and any support rendered by ICAO to AFCAC such as in continued provision of Secretariat services, needs to be approved by the Assembly as part of the Organization's Regular Programme Budget.

4. CONSIDERATION BY THE ICAO COUNCIL

4.1 The Council, being aware of the extremely difficult financial situation of AFCAC, and acknowledging the crucial role played by AFCAC in African civil aviation which, by extension, affected global aviation, is of the view that AFCAC should continue to function and be assisted in every way possible. With this in view, the President of the Council alerted AFCAC at its 17th Plenary Session (Johannesburg, 10 to 14 May 2004) to the need for clear, measurable and tangible measures that would put AFCAC on a stable financial footing, enabling it to discharge its financial responsibilities and, at the same time, implement a viable work programme.

4.2 In pursuance of the above, the 17th Plenary Session of AFCAC developed a plan to implement financial and operational autonomy of AFCAC. This resulted in a transitional work programme of AFCAC aimed at achieving this objective.

4.3 The transitional work programme comprises the following elements: a strategy for restructuring AFCAC; staff restructuring; proposed budget; and projected income. According to the staff restructuring plan, during the year 2004, four staff members (Secretary of AFCAC, one Air Transport Officer and two secretaries) would continue to be funded by ICAO. During the year 2005, the two secretaries would no longer be funded by ICAO. During the year 2006, only the Secretary of AFCAC would be funded by ICAO. There would be no funding of AFCAC staff by ICAO from the year 2007 onwards.

4.4 The transitional work programme approved by the AFCAC Plenary Session provides clear, measurable and tangible steps towards financial and operational autonomy. The elements comprising the work programme clearly identify the measures to be taken with a view to phasing out ICAO support during 2005 and 2006. Furthermore, the transitional programme addresses the main issues that have so far hindered AFCAC's progress toward financial and operational autonomy. Proposed measures toward avoidance of duplication with ICAO's work, increased collaboration with other organizations, identification of critical aviation issues and challenges faced by AFCAC, the levy of contingency contributions from member States, and the intent to conclude and finalize a transitional arrangement with ICAO before the end of 2004 which would cover only the period of 2005-2006, are clear indicators of AFCAC's commitment, determination and clarity of approach toward achieving its financial and operational autonomy by 1 January 2007.

4.5 With regard to arrears reflected in paragraph 2.4, the Council will negotiate with AFCAC a repayment schedule to be included in the revised transitional arrangement covering the period 2005-2007.

5. FINANCIAL IMPACT

5.1 The proposed work set out in this working paper would be undertaken within the resources available under Major Programme V of the draft Programme Budget 2005-2007 which reflects a reduction of U.S. \$ 492 000 with the gradual phasing out of two Professional and two General Service posts during the next triennium (as described in 4.3 above).

5.2 While the transitional arrangement is in effect, ICAO will continue to provide advances to AFCAC and to manage AFCAC funds in accordance with the provisions of the ICAO Financial Regulations. However, the ceiling on advances already established (see paragraph 2.4) will continue to be maintained and as such there will be no financial impact on the Organization's Programme Budget for the period 2005-2007 with respect to such advances. Information regarding AFCAC's current financial situation is contained in Appendices A and B which reflect AFCAC's statement of income and expenditure (for the year ended 31 December 2003) and AFCAC's statement of assets, liabilities and fund balance as at 31 December 2003 respectively. Appendix C reflects possible funding sources of AFCAC (both present and future) as discussed at the 17th Session of the AFCAC Plenary (Johannesburg, 10-14 May 2004).

5.3 The Assembly may also wish to note that the recovery of arrears, as referred to in paragraph 4.4 would be carried out under a repayment schedule.

6. ACTION BY THE ASSEMBLY

6.1 The Assembly is invited to:

- a) note the contents of this paper;
- b) approve the extension of the transitional arrangement for a limited period of time beyond the 31 December 2004 expiry date to cover a period up to 31 December 2006; and
- c) request the Council to draw up and execute with AFCAC a new transitional arrangement along the lines of b) above.

APPENDIX C

FUNDING SOURCES OF AFCAC (AS DISCUSSED AT THE 17TH SESSION OF THE AFCAC PLENARY, JOHANNESBURG, 10-14 MAY 2004)

1. Current Funding Sources

1.1 In the event that AFCAC cannot pay its regular expenditures as they become due and payable, the Bureau shall be empowered to levy a contingency contribution of US \$ 3 000 per Member State. This contingency contribution can only be levied in 2005 and 2006, and only if ICAO withdraws its current support to AFCAC.

1.2 To ensure the Financial sustainability of an autonomous AFCAC, abnormal contribution increases will be levied over the period 2005 to 2008.

1.3 The Bureau shall augment the income of AFCAC by selling publications, by holding conferences and seminars, etc.

1.4 AFCAC shall examine the feasibility of using a debt recovery agency to collect outstanding dues.

1.5 AFCAC assistance to States or organizations shall be on a cost recovery basis.

1.6 Due to the importance of the ICAO Assembly's deliberations on the AFCAC restructuring plan, Member States will ensure that each sub-region has at least two experts ready to take part in the proceedings of the Commission.

1.7 Member States facing difficulties in paying the AFCAC contribution are urged to explore the possibility of their contribution being paid by their civil aviation entities.

1.8 Member States may consider levying a fee on aviation activities as a means of collecting their contribution to AFCAC.

1.9 The Bureau is requested to approach the Government of Senegal and express AFCAC's concern about the terms and conditions of the Seat Agreement.

1.10 The host State, Senegal, is requested to bear the maintenance costs of the AFCAC premises.

2. **Future Funding Sources (after transition to autonomy)**

2.1 AFCAC shall ensure that it makes provisions for its autonomy. It shall form an establishment fund or account as per the proposed budget, that will become the Working Capital Fund, on 1 January 2007. The establishment Fund shall have the function of preparing the organisation for autonomy and ensuring that sufficient funds are set aside for the new working capital requirements between the commencement of the financial year and the collection of revenue.

— END —


APPENDIX A

AFRICAN CIVIL AVIATION COMMISSION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2003

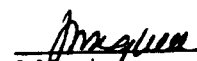
(in United States dollars)

INCOME AND EXPENDITURE	General Fund	WCF	TOTAL	
			2003	2002
INCOME				
Assessed contributions	399 950		399 950	416 726
Interest income				
Other	12 580		12 580	470
TOTAL INCOME	412 530	-	412 500	417 196
EXPENDITURE				
Salaries and common staff costs	229 892		229 892	157 360
Telephone and communications	16 294		16 294	11 534
Distribution services	3 746		3 746	4 727
Utilities	5 602		5 602	6 699
Maintenance and operating costs	2 718		2 718	1 445
Printing and reproduction	1 258		1 258	
Travel	12 916		12 916	33 172
Meetings	8 749		8 749	12 608
Other	1 230		1 230	3 231
	282 405	-	282 405	230 776
Adjustment of prior year's unliquidated obligation / expenditure	(4 407)		(4 407)	(11 508)
TOTAL EXPENDITURE	277 998	-	277 998	219 268
Excess of income over expenditure	134 532	-	134 532	197 928

Certified:


S. Kandasamy
Chief, Finance Branch

I have audited the above Statement of Income and Expenditure for the year ended 31 December 2003 by the International Civil Aviation Organization (ICAO) on behalf of the African Civil Aviation Commission (AFCAC) in accordance with United Nations Standards on Internal Auditing. I have made such tests and examinations deemed appropriate and obtained such explanations as were necessary. As a result of the audit, I certify that the Statement is in accordance with the books of the Organization. In my opinion, the Statement presents fairly the result of operations for the year ended 31 December 2003 in accordance with the accounting policy of ICAO and, in all significant respects, the income and expenditure incurred with the Financial Regulations of ICAO.


J. Maguire
Chief
Office for Programmes Evaluation, Audit,
and Management Review
International Civil Aviation Organization

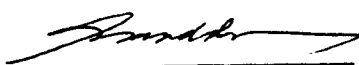
APPENDIX B

AFRICAN CIVIL AVIATION COMMISSION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
AS AT 31 DECEMBER 2003

(in United States dollars)


ASSETS	General Fund	WCF	TOTAL	
			2003	2002
Due from ICAO - Held in Trust (Note 4)		109 176	109 176	107 277
Due from AFCAC General Fund		3 086	3 086	5 270
Assessments receivable (Attachment A)	3 109 189	26 066	3 135 255	3 059 328
TOTAL ASSETS	3 109 189	138 328	3 247 517	3 171 875
LIABILITIES				
Due to ICAO (Note 4)	1 702 794		1 702 794	1 751 226
Due to AFCAC WCF Fund	3 086		3 086	5 270
Donations Held in Trust (Note 5)	12 911		12 911	20 240
Unliquidated obligations	5 448		5 448	6 393
TOTAL LIABILITIES	1 724 239	-	1 724 239	1 783 129
BALANCE OF FUND				
At beginning of year	1 250 418	138 328	1 388 746	1 190 818
Excess of income over expenditure	134 532	-	134 532	197 928
At end of year	1 384 950	138 328	1 523 278	1 388 746
TOTAL FUND BALANCES	1 384 950	138 328	1 523 278	1 388 746
TOTAL LIABILITIES AND FUND BALANCES	3 109 189	138 328	3 247 517	3 171 875

Certified:


S. Kandasamy
Chief, Finance Branch

I have audited the above Statement of Assets, Liabilities and Fund Balances and supporting schedules and notes to the statements as at 31 December 2003, prepared by the International Civil Aviation Organization (ICAO) on behalf of the African Civil Aviation Commission (AFCAC), in accordance with United Nations Standards on Internal Auditing.

I have made such tests and examinations that were deemed appropriate and obtained such explanations as were necessary. As a result of the audit, I certify that the Statement is in accordance with the books of the organisation. In my opinion, the statement presents fairly the financial position as at 31 December 2003 in accordance with the accounting policy of ICAO and in all significant respects, the Assets Liabilities and Fund Balances in accordance with the Financial Regulations of ICAO.


J. Maguire
Chief
Office for Programmes Evaluation, Audit,
and Management Review
International Civil Aviation Organization