



## ASSEMBLY — 36TH SESSION

### ADMINISTRATIVE COMMISSION

#### REPORT OF THE BUDGET WORKING GROUP ON AGENDA ITEMS 49 AND 8

(Presented by the Chairman of the Budget Working Group)

1. The Budget Working Group was established by the Administrative Commission at its first meeting, held on 20 September 2007, to examine Agenda Items 8 and 49 in accordance with the terms of reference of the Budget Working Group contained in A36-WP/78 AD/16 Appendix B.

2. The following members were appointed by the Administrative Commission to be members of the Working Group:

Australia	Pakistan
China	Republic of Korea
France	Russian Federation
Germany	Saudi Arabia
Japan	United Kingdom
Nigeria	United States

3. At its first meeting, the Group elected the Representative of Australia to be its Chairman.

4. The Working Group held two meetings, the first on Friday, 21 September 2007, and the second on Tuesday, 25 September 2007.

5. Secretariat services were provided by Mr. R. Barr, Chief, Finance Branch, Mr. C. Reitano, Chief, Financial Services Section and Ms. L. Lim, Budget Officer.

6. The Report of the Working Group, attached herewith, is submitted for review and approval by the Administrative Commission.

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**Agenda Item 49: Budgets for 2008, 2009 and 2010**

49.1 The Budget Working Group is required to review the draft Budget for 2008, 2009 and 2010 in accordance with its terms of reference and make recommendations to the Administrative Commission.

49.2 The Group elected Mr. S. Clegg (Australia) to be its Chairman.

49.3 A presentation was delivered by the Secretariat on paper A36-WP/23 AD/1 which focused on budget process, methodology, format and content. The Chairman requested the Group for any comments particularly on format and methodology, since this was the first Budget proposal from ICAO in Results Based format.

49.4 Since no comments were raised, the Group proceeded to review the issue of protecting the ICAO Budget from adverse currency fluctuations.

49.5 The reference documentation brought before the Group was Discussion Paper A36-DP-AD/2 Protecting the Purchasing Power of the ICAO Budget which was presented by the Secretariat. This paper provides an overview of the most common methods to protect the purchasing power of the budget and recent ICAO papers on the subject. It offers a brief synopsis of lessons learned by those United Nations (UN) agencies who have implemented one of these methods, the split assessment system, and concludes with a set of recommendations in respect to the need for a further review of how best to protect the purchasing power of the ICAO Budget.

49.6 The Chairman opened the floor to comments. Several Delegations took the floor.

49.7 One Delegation referred to previous reservations expressed at Council in respect to the consensus on the package of recommendations submitted by the Council and reflected in A36-WP/23 AD/1, due to the proposed shift to a Canadian dollar budget to be fully assessed in the same currency. The Delegation expressed its reservations in respect to this approach being fully effective in defending exchange rate fluctuations in a Budget for which expenditures are projected to be denominated 65 per cent in Canadian dollar, 25 per cent in US dollar and 10 per cent in other currencies. The Delegation while confirming its support to all other elements of the Council's consensus package concluded by proposing that the Budget be assessed 65 per cent in Canadian dollar and 35 per cent in US dollar, and by proposing specific text to be added to the draft Resolution as follows:

*The Council shall review the method of assessing Contracting States, consistent with Financial Regulation 6.6, in order to determine whether the Secretary General should routinely seek contributions in more than one currency beginning in 2008, given the need to manage exchange rate risk effectively and also avoid imposing inordinate administrative burdens on either Contracting States or the Secretariat.*

49.8 Several Delegations expressed their support, in principle, with respect to a dual assessment approach, although concerns were raised on the timeliness of the proposal, particularly the

possible adverse impact on the ongoing configuration of the new financial system for which the projected date of roll out date is 1 January 2008.

- 49.9 In summarising the Group's deliberation on this agenda item the Chair noted;
- a) Support in principle to the concept of a dual assessment in US dollar and Canadian dollar to a Budget totalling \$245.5 million Canadian;
  - b) Support to the text proposed by the Delegation referred to in paragraph 49.7;
  - c) The need to review the status of cash flow at the end of the current budget cycle; and
  - d) The need to resolve the problem of arrears.
- 49.10 The Group proceeded to review the Item 8 and the Chair opened the floor for comments.
- 49.11 Two Delegations expressed concerns with respect to the proposed post cuts in the area of translations highlighting that the strategy would limit the Organization's capacity to release documents in all languages which they argued not only is not consistent with United Nations recent provisions on the matter of languages but also undermines ICAO's effectiveness to achieve its Strategic Objectives.
- 49.12 One Delegation added that - in its own language – the term “results” can denominate both a positive and negative outcome so requested this be clarified as meaning the outcomes in the final version of the Budget when it is released in all languages.
- 49.13 Questions were also raised on the number of projected staff terminations, the appropriation established for early severance costs and the forecast for the carry forward to 2007. The Secretariat addressed the questions pertaining to terminations and informed that updated information on the carry forward would be released at the Administrative Commission.
- 49.14 Many Delegations expressed concern that reopening the discussion on items reflected in the Budget proposal would jeopardize the consensus that Council reached over many months of deliberations between 2006 and 2007. The Chair took note of the concerns expressed in the Group and recalled that the Council had additional financial resources upon which it could call and that the Assembly could ask the Council to closely monitor these areas of concern.
- 49.15 The Secretary noted that the resolution of this issue requires the adoption of two separate agenda items for the Commission. In future, the Secretariat will propose to change Agenda Items 8 and 49 into one.
- 49.16 The Budget Working Group reached a consensus and recommended that the Administrative Commission adopt the proposed budget for submission to the Assembly, with the following addition to Draft Resolution 49/1 part C:

“3. The Council shall review the method of assessing Contracting States, consistent with Financial Regulation 6.6, in order to determine whether the Secretary General should routinely seek contributions in more than one currency beginning in 2008, given the need to manage

exchange rate risk effectively and also avoid imposing inordinate administrative burdens on either Contracting States or the Secretariat.”

**Agenda Item 8: Programme Budget for 2008, 2009 and 2010**

8.1 The Budget for 2008, 2009 and 2010 was referred to the Commission, by the Plenary, for consideration and recommendation.

8.2 At its third meeting, the Commission noted the contents of the Budget for 2008, 2009 and 2010, which was referred to the Budget Working Group for consideration.