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Security Council

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Letter dated 7 October 2016 from the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council

On behalf of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, and in accordance with paragraph 32 of Security Council resolution 2244 (2015), I have the honour to transmit herewith the report on Somalia of the Monitoring Group on Somalia and Eritrea.

In this connection, the Committee would appreciate it if the present letter and the report were brought to the attention of the members of the Security Council and issued as a document of the Council.

(*Signed*) Rafael Darío **Ramírez Carreño**
Chair
Security Council Committee pursuant to resolutions 751 (1992)
and 1907 (2009) concerning Somalia and Eritrea

Annex 4.3.d: Aden Adde International Airport (MIA)

23. Favori LLC from Turkey entered into an agreement with the Minister of Information, Post, Telecommunication and Transportation for renovation and day-to-day operations of the MIA in January 2013.[172] The Monitoring Group considers it to be a technically poor deal for the FGS and a case of potential abuse by a private entity:

- Favori, which is obligated to rebuild the infrastructure and a new terminal (already accomplished) initially at its own cost, can subsequently deduct all expenses from future income of the airport, without any agreed and clear mechanism for assessing the actual cost of the investment;

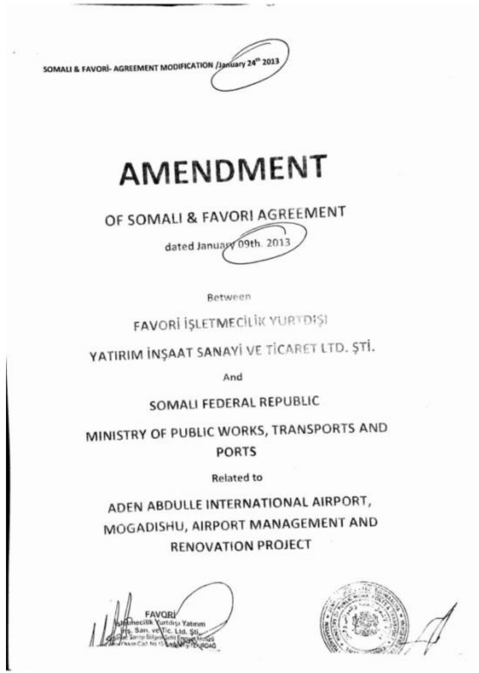
- Favori receives 55 per cent of the net revenue generated by MIA and the FGS receives the remaining 45 per cent from the net revenue, which means that in the absence of technically precise terms and processes, Favori can deduct inflated expenses and consequently diminish the Government's share of net revenue;

- Favori is deducting salary taxes as expenses and has also been making use of a depreciation deduction at up to USD 300,000 per month; these processes were neither initially identified nor agreed upon with the FGS.

24. For instance, in the financial report sent by Favori to the FGS, the total revenue produced in June 2016 was USD 1,165,249.74 while the total expenses were USD 611,408.62, thus leaving a net profit of USD 553,841.12. [173] The same document indicates that the expenses included a depreciation deduction of USD 297,379.62. Accordingly, only USD 249,228.50 went to the FGS for the month of June 2016; but if the depreciation deduction by Favori had been disallowed, then the FGS revenue would have been increased by another USD 133,820.83.

[172] See figure 11.
[173] See figures 13 and 14.

Figure 11: First page of the final version of the agreement with Favori from 24 January 2013


SOMALI & FAVORİ- AGREEMENT MODIFICATION /January 24th 2013

AMENDMENT

OF SOMALI & FAVORI AGREEMENT

dated January 09th. 2013

Between

FAVORİ İŞLETMECİLİK YURTDIŞI

YATIRIM İNŞAAT SANAYİ VE TİCARET LTD. ŞTİ.

And

SOMALI FEDERAL REPUBLIC

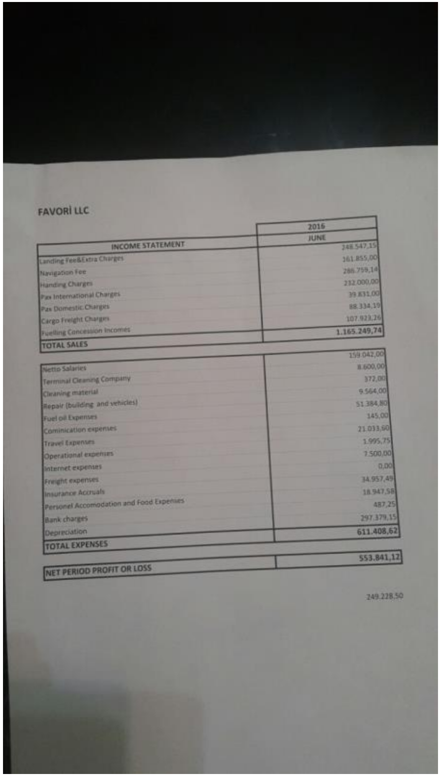
MINISTRY OF PUBLIC WORKS, TRANSPORTS AND PORTS

Related to

ADEN ABDULLE INTERNATIONAL AIRPORT, MOGADISHU, AIRPORT MANAGEMENT AND RENOVATION PROJECT

FAVORİ İşletmecilik Yurtdışı Yatırım İnş. San. ve Tic. Ltd. Şti.

Figure 14: Financial situation for June 2016



FAVORİ LLC

	2016
	JUNE
INCOME STATEMENT	248.547,15
Landing Fee&Extra Charges	161.855,00
Navigation Fee	286.759,14
Handing Charges	232.000,00
Pax International Charges	39.831,00
Pax Domestic Charges	88.334,19
Cargo Freight Charges	107.923,26
Fuelling Concession Incomes	**1.165.249,74**
TOTAL SALES	
	159.042,00
Netto Salaries	8.600,00
Terminal Cleaning Company	372,00
Cleaning material	9.564,00
Repair (building and vehicles)	51.384,80
Fuel oil Expenses	145,00
Cominication expenses	21.033,60
Travel Expenses	1.995,75
Operational expenses	7.500,00
Internet expenses	0,00
Freight expenses	34.957,49
Insurance Accruals	18.947,58
Personel Accomodation and Food Expenses	487,25
Bank charges	297.379,15
Depreciation	**611.408,62**
TOTAL EXPENSES	
	553.841,12
NET PERIOD PROFIT OR LOSS	

249.228,50