Task Force on the System of Contributions

Briefing for 2021 APPU EC Plenary Meeting

20.07.2021

Mandate

Create stable financing model for the Union

- Which will enable sustainable funding position in the long term

Improve debt management of contributions

- Which would help to recover historically accummulated arrears (>20M)

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Participation

Members:

- Algeria, Argentina, Australia, Belgium, Brazil, Canada, China (People's Rep.), France, Germany, Italy, Japan, Kazakhstan, Kenya, Malaysia, Mexico, Netherlands, Poland, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States, Viet Nam

Leadership:

- October CA 2018 - Germany, April CA 2021 - Spain

Models reviewed

1 UN Scale of assessments

- Unmodified aplication - discarded

2 Economic capacity model (Addis Ababa)

- Modified UN scale with embedded UPU floors and caps – did not score 2/3 majority

3 Pay for Use I

- In- and outbound international mail - discarded

4 Pay for Use II

- Use of IMPC codes - discarded

5 UN scale of assessment (modified) as reference

- Combination of 1 and 2, modified to voluntary increase - ADOPTED

How it works

Refers to the modified UN scale of assessment

- Compares effective contribution to what it should have been under the UN scale

Countries paying on the reference level

- Remain unaffected

Countries paying below the reference level

- Encouraged to voluntarily increase by at least two units per cycle

Countries paying above the reference level

- Allowed to gradually decrease to the reference (max 2 units per cycle, from next cycle)

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Effect on the monetary amount of contribution

Value of contribution unit

- Number of units increase, budget ceiling remains unchanged, hence value of unit decrease

Countries paying on the reference level

- Value of unit decrease, number of units unchanged, monetary amount automatically decrease

Countries paying above the reference level

- Same as above

Countries paying below the reference level

- If undertake to increase by at least two steps in a cycle – same as above, otherwise previous value of unit applies (no effort – no reward)

Recovery of arrears through debt relief

Long-term instruments

- Re-scheduling for LDCs up to 20 years (currently 10)
- Further extension possible if annual payments > annual billed contributons

Short-term instruments

- If (1) either all annual contributions for Istanbul cycle, or (2) 50% of the total cumulative debt, are fully paid by 2023, the balance of arrears is set aside and no longer chargeable as long as forthcomig regular bills are fully honoured
- In addition, for LDC and SIDS with population <200 thousand: up to 50% of the amount paid under the arrangement above, may get re-invested back through development projects

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Debt relief to qualifying SIDS

Effect on the SIDS currently under sanctions

- Massive (up to 99%) debt relief with immediate restoration of productive membership and voting rights

COUNTRY	CUMULATIVE DEBT UNDER CURRENT RULES (REGULAR BUDGET)	TO BE PAID TO QUALIFY FOR DEBT RELIEF	SET ASIDE AFTER QUALIFYING PAYMENT	AMOUNT RETURNABLE IN DEVELOPMENT PROJECTS	EFFECTIVE COST TO THE COUNTRY TO RELIEVE DEBT
NAURU	1,992,143.79	13,400.00	1,978,743.79	6,700.00	6,700.00
SAO TOME-ET-PRINCIPE	1,238,732.72	23,000.00	1,215,732.72	11,500.00	11,500.00
ANTIGUA-ET-BARBUDA	371,825.75	23,000.00	348,825.75	11,500.00	11,500.00
TUVALU	302,403.22	23,000.00	279,403.22	11,500.00	11,500.00

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Recovery of arrears through penalty mechanisms

Membership in CA and POC

- In case of delay on payment transferred to another representative of the region, voting rights suspended

Lifting of sanctions

- After second successive payment under rescheduling agreement (currently upon signature)

Repeat rescheduling in case of delay on existing one

- After three years (currently unconditional)