

**FULL REVIEW OF APPU FINANCIAL CONTRIBUTIONS SYSTEM**  
(Document prepared by the Bureau)

<p><b>1. Subject</b></p> <p>Informing Congress on:</p> <ul style="list-style-type: none"> <li>- the inter-related nature of three subjects that deal with financial contributions, one of which is the current document (Congress 2022 Doc 24.6)</li> <li>- the emergence of the financial contributions system as an area of concern during the 2017-2022 period, resulting in it being formally raised at the 2021 EC meeting</li> <li>- the seven issues that, taken together, convinced the Bureau to seek a full review</li> <li>- the 2021 EC decision to approve a recommendation being submitted to the 2022 APPU Congress for a full review of the financial contributions system</li> <li>- initial work that should be undertaken prior to any parameters or guidance from the EC being sought or given</li> <li>- an enabling recommendation for Congress to consider</li> </ul>	<p><b>References/paragraphs</b></p> <p>§ 1</p> <p>§ 2</p> <p>§ 3.1</p> <p>§ 4.1</p> <p>§§ 5.2 – 5.4</p> <p>§ 6.1, Appendix 1</p>
<p><b>2. Decisions expected</b></p> <p>Congress is asked to:</p> <ul style="list-style-type: none"> <li>- <b>note</b> the three inter-related financial subjects, one of which is the recommended full review of the APPU financial contributions system</li> <li>- <b>note</b> the emergence and development of the financial contributions system as an area of concern during the 2017-2022 period</li> <li>- <b>note</b>, subject to Congress' approval of proposal 06, the intended approach for the detailed examination of key matters prior to any parameters or guidance being sought or given by the EC</li> <li>- <b>approve</b> proposal 06 for the EC to undertake a full review of the APPU financial contributions system</li> </ul>	<p><b>References/paragraphs</b></p> <p>§ 1</p> <p>§§ 2 - 3</p> <p>§ 5</p> <p>§ 6.1, Appendix 1</p>

**1. Background note regarding three inter-related financial subjects**

1.1 There are three subjects of a financial nature that are inter-related i.e.:

**Congress 2022 Doc 24.5:** Reduction in contribution unit for APPU members who qualify for the UPU 0.1-unit contribution class (this is referred to as **"Subject 1"**)

**Congress 2022 Doc 24.6:** Full review of APPU financial contributions system (this is referred to as **"Subject 2"**)

**Congress 2022 Doc 24.7:** Request from Nauru for the waiving of arrears in contributions to the APPU (this is referred to as **"Subject 3"**)

1.2 This background note is placed at the start of each of these three documents.

1.3 The inter-related nature of these three subjects is described as follows.

1.3.1 It is clear that there is a relationship between **Subject 1** (reduction of contribution units) and **Subject 2** (overall review of APPU financial contributions system). The relationship might be described as:

- (i) an immediate, arbitrary reduction in contribution unit to be proposed to the 2022 Congress as an interim arrangement; and
- (ii) a further, possible reduction in contribution unit when the proposed overall review of the APPU financial contributions system is completed.

1.3.2 There is no substantive relationship between **Subject 1** (reduction of contribution units) and **Subject 3** (Nauru's request for the waiving of arrears in contributions)

1.3.3 There could be a relationship between **Subject 2** (overall review of the APPU financial contributions system) and **Subject 3** (Nauru's request for the waiving of arrears in contributions). Comments in this regard are as follows.

- (i) The system for recovering debts in arrears introduced by the UPU in 2021 resulted in the 0.1 contribution unit being used as the multiplier for the earlier years used in the "reduced debt calculation" for which payment would be required. This is of significant benefit to the countries concerned; and
- (ii) If the APPU takes a similar approach to the UPU, then the final position reached on contribution classes (when an overall review of the system is completed), may have a significant bearing on the final debt relief payment calculations.

## **2. Introduction to the proposed full review of the APPU financial contributions system**

2.1 A review of the APPU financial contributions system had been mentioned at all EC meetings during the 2017-2022 cycle. There were seven separate issues that prompted the matter being raised.

2.2 Prior to 2021, reference to the contributions system had been informal i.e., oral comment (as opposed to formal, documented comment). It was formally raised at the 2021 EC meeting in EC 2021 Doc 5.1 ("Request from the Republic of Nauru: Reduction in contribution to APPU expenses, waiving of arrears – update report to membership").

## **3. The seven separate issues**

3.1 The seven "**separate**" issues referred to in paragraph 2.1 (for raising a full review of the financial contributions system) are set out below. (**Note:** the reason for the emphasis on "**separate**" is to point out that there is no continuous link between all seven items. They are presented, more or less, as seven independent statements which, taken as a whole, may indicate that there is an overall issue the Union needs to deal with.)

- (i) The view reached, when assessing the sustainable future of the College, that the benefits from training seemed to have moved from education focused on individuals (in 1970) to the efficiency and quality of the regional network (in 2020). Although the region, as a whole, might be benefiting more from training activities in 2020 than it did in 1970, the

funding model was still based on rules established in 1975. Or, expressed in a different way, the unusual situation where the APPU's profile, value and core competency (all arguably linked to training), but without the Union (i.e., all 32 members) having any formal financial responsibility for it (i.e., for training).

- (ii) The Finance Committee, when dealing with the reduced contribution unit for APPU members who had been assigned to the UPU 0.1-unit contribution class, made the observation that all APPU members, via a comparatively small contribution, could access the full resources of the Bureau but not necessarily participate in the cost of these resources. The Finance Committee, in commenting that this was a complex issue that had developed over a period of decades, also noted that an incoming EC may wish to examine the current contributions system in detail to confirm either continued relevance or make proposals to modify the system.
  - (iii) The APPU contributions system has been largely untouched in its 60 years of operation. During that period, the financial consumption of the Union has grown to the point where it is six times that of the funds provided through the contributions system.
  - (iv) The review of the UPU financial contributions system had been highlighted by the Reform Working Group (WG) in its sessions at the 2018 and 2019 EC meetings.
  - (v) The research and development of material by the APPU Consultant in relation to the request from Nauru for a reduced contribution class (for the administrative expenses of the Union).
  - (vi) The observation by the Sub-Group (of the Reform WG) dealing with the review of the Union's governing documentation, that the APPU General Regulations were now out-of-date in terms of the APPU contribution classes' alignment with the UPU contribution classes. The UPU has, in fact, moved away from the contribution class system currently detailed in the APPU General Regulations.
  - (vii) The management experience of the Bureau where the current financial arrangements were fragmented across three budget areas. This made administrative matters more complex than perhaps they needed to be.
- 3.2 None of the seven issues was debated at the 2021 EC meeting. The only aspect raised related to the research and development of material for the Nauru contribution class – this highlighted the degree to which the APPU and UPU contribution systems had grown apart in recent years.

#### **4. 2021 EC decision**

- 4.1 The 2021 EC approved a recommendation being submitted to the 2022 APPU Congress for a full review of the APPU financial contributions system.

#### **5. Parameters / guidance for the review of the financial contributions system**

- 5.1 The 2021 EC did not set out any parameters or guidance for what the review should or should not cover. Given the background to the matter (e.g., the seven issues in paragraph 3.1), there would need to be some research and initial reporting undertaken before reasonable parameters or guidance could be given.

- 5.2 To get to the point where the EC can consider parameters / guidance, the review should firstly focus on the observations set out in paragraph 3.1 (i) to (iii) in terms of creating base information on who benefits from Union activities i.e., the amount of cost incurred where the main beneficiary is an individual member versus the amount of cost where the main benefit is for the total membership (e.g., the quality and efficiency of the regional network operated between the 32 member countries). Following on from this, the current distribution of income and current allocation of costs should be examined to see how they are apportioned between activities that:
- (a) mainly provide value to individual members; and
  - (b) mainly benefit the region's network operation.
- 5.3 Once the results of paragraph 5.2 are known, then the full review can be launched. This is because paragraph 5.2 will basically tell us where money currently comes from and:
- (i) where it goes; and
  - (ii) where it should go (according to individual member benefit or total membership benefit).
- 5.4 In conjunction with paragraph 5.3, the EC would, at that stage, be able to specify any parameters or guidance for the full review.
- 6. Enabling recommendation**
- 6.1 The 2021 EC approved a recommendation being submitted to the 2022 Congress for a full review of the financial contributions system. This is drafted as Proposal 06 at Appendix 1.

## 13<sup>th</sup> CONGRESS

### Proposal of a general nature

06

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#### EXECUTIVE COUNCIL

#### Resolution

#### Full review of the financial contributions system

#### Congress,

**noting** that the current systems of financial contributions to the activities of the Union were established as single-purpose funds for administrative activities (1962), training activities (1975), and special activities (1998),

**further noting** that the Union provides value and benefits to individual members as well as to the 32 members as a network operation,

**being aware** of the likelihood that, over time, benefit has shifted from individual members to membership, as a whole, through initiatives aimed at regional quality and efficiency,

**recognising** that the current income and expenditure allocation is based mainly on historic lines as opposed to the value and benefits gained by members from the various Union activities,

**understanding** that the shift in value and benefits from Union activities could mean that income and expenditure are no longer appropriately matched

**acknowledging** also that changes in the UPU financial contributions system have broken the link that existed between the UPU and APPU financial contributions systems with the consequence that the APPU system will need to be reviewed so it can re-establish a relevant base,

**recommends** that the EC undertakes a full review of the financial contributions system to:

- (i) ensure costs and benefits are accurately aligned for the main Union activities
- (ii) identify how best to apportion current income from members across activities in a fair and equitable manner
- (iii) report to the 2026 Congress with proposals that reflect the outcome of the work undertaken.

**Reasons** – see Congress 2022 Doc 24.6.