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EC 2025 Doc 14

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# Meeting of the Joint Sub-Committee of the Finance Committee and the Reform Working Group

Presentation by Australia and Japan

Executive Council Meeting  
Ulaanbaatar, Mongolia  
30 June - 4 July 2025

# Agenda for Meeting 13



| Introduction  | Document         |
|---|------------------|
| Report of the Joint Sub-Committee of the Finance Committee and the Reform Working Group | 2025 EC Doc 14.1 |
| Development of Financial Contributions System   | 2025 EC Doc 14.2 |
| Interim Contribution Unit   | 2025 EC Doc 14.3 |
| Management of Future Arrears  | 2025 EC Doc 14.4 |
| Nauru Arrears in Contributions  | 2025 EC Doc 14.5 |
| Any other business?   |                  |

**Decision: Approve the agenda**





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# Agenda item 1

## Introduction

# Introduction



- JSC is co-chaired by the Chair of the Finance Committee (Japan) and Chair of the RWG (Australia), with member countries who nominated to join the JSC being Afghanistan, China, India, Korea, New Zealand, Pakistan, Thailand.
- All APPU members are welcome to join.
- The JSC is supported by the Reform Consultant, Mr Mark Lawley.
- Established by 2023 EC to review:
  - One major issue
    - Redesign of financial contributions system
  - Three other issues
    - Interim 0.50-unit class contribution unit
    - Future management of arrears in contributions
    - Nauru's arrears in contributions
- Treaty amendments expected from the work – original timing was for these to be developed after 2025 EC.



# Introduction



- Timing of the adoption of Treaty changes is to be confirmed. Further details about the difficulty of Treaty adoption, as originally planned for 2026, can be found in:
  - 2025 EC Doc 13.1, and
  - 2025 EC Doc 13.3.
- Treaty updates proposed through the JSC are linked to those proposed through the RWG, as it is preferred by RWG members that all Treaty changes are put forward in one batch to reduce the impact on the teams who need to undertake domestic scrutiny processes.
- If the Treaty changes are delayed, the JSC will require continued support from the Reform Consultant, Mr Mark Lawley, to finalise proposed Treaty wording.



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# Agenda item 2

**Report of the Joint Sub-Committee of the Finance Committee  
and the Reform Working Group**



# Report of the Joint Sub-Committee



- EC 2025 Doc 14.1 covers four items of work, broadly related to member contributions:
  - Financial contributions system for expenditure of the Union, covered in EC 2025 Doc 14.2.
  - Interim arrangement to accommodate the UPU 0.1-unit contribution class , covered in EC 2025 Doc 14.3.
  - Future policy and management system for arrears in member contributions , covered in EC 2025 Doc 14.4.
  - Nauru's arrears in contributions, covered in EC 2025 Doc 14.5.
- Recommendations of 2025 EC Doc 14.1 will be dealt with following agenda items 3 through 6.



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# Agenda item 3

**Development of the Financial Contributions System**



# Background



- Focus is the budget of the administrative section
  - Approx US\$ 200,000
  - Funded by member contributions based on classes of contribution units
- The Union's other two budgets are not covered by this review
  - Training section (College)
  - Special Activities Fund
- Funding has not been reviewed since 1965

# Why review the system?

- Resolution C 6/2022 requests new contributions system to be established because traditional reference system (UPU) has a new single-unit structure that no longer relates to the APPU system

## 2019 - 2021

| Contribution Units for <b>UPU</b> Expenses                            | Contribution Units for <b>APPU</b> Expenses                                 |
|---|---|
| 50, 47, 45, 43, 40, 37, 35, 33, 30, 27, 25, 23, 20, 17                | 5   |
| 15, 13, 10, 7, 5  | 3   |
| 3, 1  | 2   |
| 0.5 (available only to LDCs and other countries designated by the CA) | 1 (available only to LDCs and other countries as decided in the UPU system) |
| 0.1 (available only to SIDS with population less than 200,000)        | No corresponding contribution class   |

## 2022 onwards

| Contribution Units for <b>UPU</b> Expenses                            | Contribution Units for <b>APPU</b> Expenses                                 |
|---|---|
| Based on scale of assessments for UN expenses                         | 5   |
|   | 3   |
|   | 2   |
| 0.5 (available only to LDCs and other countries designated by the CA) | 1 (available only to LDCs and other countries as decided in the UPU system) |
| 0.1 (available only to SIDS with population less than 200,000)        | 0.5 (available only to SIDS with population less than 200,000)              |



# Key points



- 2024 EC – agreed that member contributions should only cover current activities (i.e., no new items for members to pay for)
- 2025 EC – JSC is required to identify sustainable, fair and equitable contribution class system for APPU
  - Proposal prepared for JSC / EC to review
  - Includes definition of
    - Sustainable
      - System not subject to major change due to financial stress on members
    - Fair
      - Meets needs / interests of members and Administrative Section
      - Minimises financial impact of any change in system on members
    - Equitable
      - Recognises members' different financial capacities

# Development of options (Variants)



- Developed four initial options (Variants) and added a fifth after meeting on 5 June
  - Variant 1– APPU-specific – fixed and variable charging components
  - Variant 2 – UN Scale of Assessment (based on new UPU system at system design level) (“UPU 1.0”)
  - Variant 3 – new Variant - – UN Scale of Assessment (based on new UPU system at practical application level) (“UPU 2.0”)
  - Variant 4 – (prior to 5 June this was Variant 3) combination of Variant 2 and the PAPU system of grouping members according to Tiers within the UN Scale
  - Variant 5 – (prior to 5 June this was Variant 4) Status Quo with adjustments based on PUASP system





## Variant 1 – Fixed and variable costs system

- 25% of budget apportioned equally among all 32 members
- 75% of budget apportioned among members of 2, 3, 4 and 5-unit classes on pro-rata basis
- Principles
  - Fair and equitable sharing of 25% of budget among all members
  - Reasonable sharing of 75% of budget according to financial capacity
- Outcomes
  - 13 members decrease between -1% to -42%
  - 19 members increase between 4% to 16%
- Assessment
  - Interesting concept for all members to meet a portion of the budget equally
  - Impossible to design without impacting current payment levels
  - Ongoing debate re correct split of fixed and variable percentages – divisive methodology

| Member            | Variant 1  |   |  |   |   |  |
|-------------------|--|---|--|---|---|--|
|                   | 25% of Budget Paid by All Members in Equal Shares; 75% of Budget Paid by Members in 2, 3, 4 and 5 Unit Classes on Pro Rata Basis |   |  |   |   |  |
|                   | Member Contribution Per Fixed Component  | Contribution Units for Calculating Variable Component | Member Contribution Per Variable Component | Total Member Contribution Per Variant 3 | Change in Member Contribution v Current System (\$) | Change in Member Contribution v Current System (%) |
| Afghanistan       | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| Australia         | 1,593  | 5   | 11,584                                     | 13,177                                  | -506  | -3.70%   |
| Bangladesh        | 1,593  | 4   | 9,267                                      | 10,860                                  | -86   | -0.79%   |
| Bhutan            | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| Brunei Darussalam | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Cambodia          | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| China             | 1,593  | 5   | 11,584                                     | 13,177                                  | -506  | -3.70%   |
| Fiji              | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| India             | 1,593  | 5   | 11,584                                     | 13,177                                  | -506  | -3.70%   |
| Indonesia         | 1,593  | 3   | 6,950                                      | 8,543                                   | 333   | 4.06%  |
| Iran              | 1,593  | 3   | 6,950                                      | 8,543                                   | 333   | 4.06%  |
| Japan             | 1,593  | 5   | 11,584                                     | 13,177                                  | -506  | -3.70%   |
| Korea             | 1,593  | 5   | 11,584                                     | 13,177                                  | -506  | -3.70%   |
| Lao               | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| Malaysia          | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Maldives          | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Mongolia          | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Myanmar           | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| Nauru             | 1,593  |   |  | 1,593                                   | 224   | 16.41%   |
| Nepal             | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| New Zealand       | 1,593  | 3   | 6,950                                      | 8,543                                   | 333   | 4.06%  |
| Pakistan          | 1,593  | 3   | 6,950                                      | 8,543                                   | 333   | 4.06%  |
| Papua New Guinea  | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Philippines       | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Samoa             | 1,593  |   |  | 1,593                                   | 224   | 16.41%   |
| Singapore         | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Solomon Islands   | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| Sri Lanka         | 1,593  | 3   | 6,950                                      | 8,543                                   | 333   | 4.06%  |
| Thailand          | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
| Tonga             | 1,593  |   |  | 1,593                                   | 224   | 16.41%   |
| Vanuatu           | 1,593  |   |  | 1,593                                   | -1,144  | -41.80%  |
| Vietnam           | 1,593  | 2   | 4,634                                      | 6,226                                   | 753   | 13.76%   |
|                   | 50,969   | 66  | 152,908                                    | 203,877                                 | 0   |  |

# Variant 1 – APPU-Specific (fixed/variable components)



## Variant 2 – UN Scale of Assessment (new UPU system)



- Note – this is assessed at **system design level**, does not take into account the voluntary manner in which it is applied
- Important to understand how this applies to APPU
- Inequitable and unfair e.g.,
  - China increases 609%
  - Japan increases 273%
  - Korea increases 20%
  - All other members decrease between -2% to -99%

| Member            | Variant 2                                    |  |   |  |
|-------------------|--|--|---|--|
|                   | Based on UN Scale of Assessment (UPU System) |  |   |  |
|                   | % Share Based on UN Scale                    | Member Contribution Per UN Scale of Assessment | Change in Member Contribution v Current System (\$) | Change in Member Contribution v Current System (%) |
| Afghanistan       | 0.019  | 38   | -2,698  | -98.60%  |
| Australia         | 6.591  | 13,438   | -245  | -1.79%   |
| Bangladesh        | 0.031  | 64   | -10,883   | -99.42%  |
| Bhutan            | 0.003  | 6  | -2,730  | -99.77%  |
| Brunei Darussalam | 0.066  | 134  | -5,340  | -97.56%  |
| Cambodia          | 0.022  | 45   | -2,692  | -98.37%  |
| China             | 47.627                                       | 97,101   | 83,418  | 609.64%  |
| Fiji              | 0.012  | 25   | -5,448  | -99.53%  |
| India             | 3.260  | 6,646  | -7,037  | -51.43%  |
| Indonesia         | 1.714  | 3,495  | -4,715  | -57.43%  |
| Iran              | 1.158  | 2,362  | -5,848  | -71.23%  |
| Japan             | 25.081                                       | 51,135   | 37,452  | 273.71%  |
| Korea             | 8.037  | 16,385   | 2,702   | 19.75%   |
| Lao               | 0.022  | 45   | -2,692  | -98.37%  |
| Malaysia          | 1.087  | 2,215  | -3,258  | -59.53%  |
| Maldives          | 0.012  | 25   | -5,448  | -99.53%  |
| Mongolia          | 0.012  | 25   | -5,448  | -99.53%  |
| Myanmar           | 0.031  | 64   | -2,673  | -97.67%  |
| Nauru             | 0.003  | 6  | -1,362  | -99.53%  |
| Nepal             | 0.031  | 64   | -5,410  | -98.84%  |
| New Zealand       | 0.965  | 1,967  | -6,243  | -76.04%  |
| Pakistan          | 0.356  | 726  | -7,484  | -91.16%  |
| Papua New Guinea  | 0.031  | 64   | -5,410  | -98.84%  |
| Philippines       | 0.662  | 1,350  | -4,124  | -75.34%  |
| Samoa             | 0.003  | 6  | -1,362  | -99.53%  |
| Singapore         | 1.574  | 3,208  | -2,265  | -41.38%  |
| Solomon Islands   | 0.003  | 6  | -2,730  | -99.77%  |
| Sri Lanka         | 0.141  | 286  | -7,923  | -96.51%  |
| Thailand          | 1.149  | 2,343  | -3,131  | -57.20%  |
| Tonga             | 0.003  | 6  | -1,362  | -99.53%  |
| Vanuatu           | 0.003  | 6  | -2,730  | -99.77%  |
| Vietnam           | 0.290  | 592  | -4,881  | -89.18%  |
|                   | 100.000                                      | 203,877  | 0   |  |

## Variant 2 – UN Scale of Assessment (new UPU system) – at system design level



## Variant 3 – UN Scale of Assessment (new UPU system)



- Note – this is assessed at **practical application level**, and takes into account how the UN Scale of Assessments applies in the UPU
- Re-establishes the link between UPU and APPU systems
- Equitable and fair i.e., no financial impact on APPU members
- UPU classes would be defined in unit-groupings in APPU Acts
- Treaty amendments have been explored

| Variant 3         |                        |                         |  |  |   |
|-------------------|------------------------|-------------------------|--|--|---|
| Member            | UPU Contribution Units | APPU Contribution Units | Member Contribution Per Approved 2025 Budget | Member Contribution Per Current System of Contribution Units | Change in Member Contribution v Current System (\$) |
| Afghanistan       | 0.5                    | 1                       | 2,737  | 2,737  | 0   |
| Australia         | 20                     | 5                       | 13,683                                       | 13,683   | 0   |
| Bangladesh        | 3                      | 4                       | 10,946                                       | 10,946   | 0   |
| Bhutan            | 1                      | 1                       | 2,737  | 2,737  | 0   |
| Brunei Darussalam | 1                      | 2                       | 5,473  | 5,473  | 0   |
| Cambodia          | 1                      | 1                       | 2,737  | 2,737  | 0   |
| China             | 40                     | 5                       | 13,683                                       | 13,683   | 0   |
| Fiji              | 1                      | 2                       | 5,473  | 5,473  | 0   |
| India             | 20                     | 5                       | 13,683                                       | 13,683   | 0   |
| Indonesia         | 5                      | 3                       | 8,210  | 8,210  | 0   |
| Iran              | 5                      | 3                       | 8,210  | 8,210  | 0   |
| Japan             | 55                     | 5                       | 13,683                                       | 13,683   | 0   |
| Korea             | 15                     | 5                       | 13,683                                       | 13,683   | 0   |
| Lao               | 0.5                    | 1                       | 2,737  | 2,737  | 0   |
| Malaysia          | 3                      | 2                       | 5,473  | 5,473  | 0   |
| Maldives          | 1                      | 2                       | 5,473  | 5,473  | 0   |
| Mongolia          | 1                      | 2                       | 5,473  | 5,473  | 0   |
| Myanmar           | 1                      | 1                       | 2,737  | 2,737  | 0   |
| Nauru             | 0.1                    | 0.5                     | 1,368  | 1,368  | 0   |
| Nepal             | 0.5                    | 2                       | 5,473  | 5,473  | 0   |
| New Zealand       | 5                      | 3                       | 8,210  | 8,210  | 0   |
| Pakistan          | 9                      | 3                       | 8,210  | 8,210  | 0   |
| Papua New Guinea  | 1                      | 2                       | 5,473  | 5,473  | 0   |
| Philippines       | 1                      | 2                       | 5,473  | 5,473  | 0   |
| Samoa             | 0.1                    | 0.5                     | 1,368  | 1,368  | 0   |
| Singapore         | 4                      | 2                       | 5,473  | 5,473  | 0   |
| Solomon Islands   | 0.5                    | 1                       | 2,737  | 2,737  | 0   |
| Sri Lanka         | 3                      | 3                       | 8,210  | 8,210  | 0   |
| Thailand          | 3                      | 2                       | 5,473  | 5,473  | 0   |
| Tonga             | 0.1                    | 0.5                     | 1,368  | 1,368  | 0   |
| Vanuatu           | 1                      | 1                       | 2,737  | 2,737  | 0   |
| Vietnam           | 1                      | 2                       | 5,473  | 5,473  | 0   |
|                   |                        | 74.5                    | 203,877                                      | 203,877  | 0   |

## Variant 3 – UN Scale of Assessment (new UPU system) – at practical application level





## Variant 4 – PAPU system (based on Scale of Assessments)

- Established for APPU using UN Scale of Assessment
- 5 Tiers created which group UN Scale as follows:
  - Tier 1: 1.001 upwards - 5 members, 40% of budget
  - Tier 2 0.101 to 1.000 – 8 members, 30% of budget
  - Tier 3: 0.011 to 0.100 – 3 members, 8.75% of budget
  - Tier 4: 0.004 to 0.010 – 10 members, 18.75% of budget
  - Tier 5: 0.001 to 0.039 – 6 members, 2.5% share of budget
- 17 members decrease between -7% to -69%
- 15 members increase between 9% to 40%
- Assessment
  - In principle, decreases and increases should reflect outcomes similar to the UPU system change, albeit with much reduced financial impact
  - Potentially divisive methodology with debate re correct allocation of budget percentage to each Tier

| Variant 4         |               |                 |          |                        |                                |                       |                 |                   |   |  |
|-------------------|---------------|-----------------|----------|------------------------|--------------------------------|-----------------------|-----------------|-------------------|---|--|
| Base Information  |               |                 |          | Design and Calculation |                                |                       |                 |                   |   |  |
| Member            | Current Units | Current Contrib | UN Scale | APPU Tier              | Tier Share of Budget for Cycle | Contrib Unit for Tier | Current Contrib | Variant 4 Contrib | Change in Member Contribution v Current System (\$) | Change in Member Contribution v Current System (%) |
| India             | 5             | 13,683          | 1.044    | Tier 1                 | 40%                            | 16,320                | 13,683          | 16,320            | 2,637   | 19%  |
| Australia         | 5             | 13,683          | 2.111    |                        |                                |                       | 13,683          | 16,320            | 2,637   | 19%  |
| Korea             | 5             | 13,683          | 2.574    |                        |                                |                       | 13,683          | 16,320            | 2,637   | 19%  |
| Japan             | 5             | 13,683          | 8.033    |                        |                                |                       | 13,683          | 16,320            | 2,637   | 19%  |
| China             | 5             | 13,683          | 15.254   |                        |                                |                       | 13,683          | 16,320            | 2,637   | 19%  |
| Pakistan          | 3             | 8,210           | 0.114    | Tier 2                 | 30%                            | 7,650                 | 8,210           | 7,650             | -560  | -7%  |
| Philippines       | 2             | 5,473           | 0.212    |                        |                                |                       | 5,473           | 7,650             | 2,177   | 40%  |
| New Zealand       | 3             | 8,210           | 0.309    |                        |                                |                       | 8,210           | 7,650             | -560  | -7%  |
| Malaysia          | 2             | 5,473           | 0.348    |                        |                                |                       | 5,473           | 7,650             | 2,177   | 40%  |
| Thailand          | 2             | 5,473           | 0.368    |                        |                                |                       | 5,473           | 7,650             | 2,177   | 40%  |
| Iran              | 3             | 8,210           | 0.371    |                        |                                |                       | 8,210           | 7,650             | -560  | -7%  |
| Singapore         | 2             | 5,473           | 0.504    |                        |                                |                       | 5,473           | 7,650             | 2,177   | 40%  |
| Indonesia         | 3             | 8,210           | 0.549    |                        |                                |                       | 8,210           | 7,650             | -560  | -7%  |
| Brunei Darussalam | 2             | 5,473           | 0.021    | Tier 3                 | 8.75%                          | 5,950                 | 5,473           | 5,950             | 477   | 9%   |
| Sri Lanka         | 3             | 8,210           | 0.045    |                        |                                |                       | 8,210           | 5,950             | -2,260  | -28%   |
| Vietnam           | 2             | 5,473           | 0.093    |                        |                                |                       | 5,473           | 5,950             | 477   | 9%   |
| Fiji              | 2             | 5,473           | 0.004    | Tier 4                 | 18.75%                         | 3,825                 | 5,473           | 3,825             | -1,648  | -30%   |
| Maldives          | 2             | 5,473           | 0.004    |                        |                                |                       | 5,473           | 3,825             | -1,648  | -30%   |
| Mongolia          | 2             | 5,473           | 0.004    |                        |                                |                       | 5,473           | 3,825             | -1,648  | -30%   |
| Afghanistan       | 1             | 2,737           | 0.006    |                        |                                |                       | 2,737           | 3,825             | 1,088   | 40%  |
| Cambodia          | 1             | 2,737           | 0.007    |                        |                                |                       | 2,737           | 3,825             | 1,088   | 40%  |
| Lao               | 1             | 2,737           | 0.007    |                        |                                |                       | 2,737           | 3,825             | 1,088   | 40%  |
| Bangladesh        | 4             | 10,946          | 0.010    |                        |                                |                       | 10,946          | 3,825             | -7,121  | -65%   |
| Myanmar           | 1             | 2,737           | 0.010    |                        |                                |                       | 2,737           | 3,825             | 1,088   | 40%  |
| Nepal             | 2             | 5,473           | 0.010    |                        |                                |                       | 5,473           | 3,825             | -1,648  | -30%   |
| Papua New Guinea  | 2             | 5,473           | 0.010    |                        |                                |                       | 5,473           | 3,825             | -1,648  | -30%   |
| Bhutan            | 1             | 2,737           | 0.001    | Tier 5                 | 2.50%                          | 850                   | 2,737           | 850               | -1,887  | -69%   |
| Nauru             | 0.5           | 1,368           | 0.001    |                        |                                |                       | 1,368           | 850               | -518  | -38%   |
| Samoa             | 0.5           | 1,368           | 0.001    |                        |                                |                       | 1,368           | 850               | -518  | -38%   |
| Solomon Islands   | 1             | 2,737           | 0.001    |                        |                                |                       | 2,737           | 850               | -1,887  | -69%   |
| Tonga             | 0.5           | 1,368           | 0.001    |                        |                                |                       | 1,368           | 850               | -518  | -38%   |
| Vanuatu           | 1             | 2,737           | 0.001    |                        |                                |                       | 2,737           | 850               | -1,887  | -69%   |
|                   |               | 203,877         |          |                        |                                |                       | 203,877         | 204,000           | 123   |  |

# Variant 4 – PAPU system (based on Scale of Assessments)



## Variant 5 – Status Quo (with PUASP-style management rules)



- No change to current contribution classes 5, 3, 2, 1, 0.5
- No reference to any other system or scale of assessment
- Voluntary selection of contribution class
- Reductions only possible at Congress (increases at any time)
- Provides scope to introduce more contribution classes e.g.,
  - 6, 7, 8 to provide flexibility for those with greater financial capacity
  - Below 1 unit (e.g., 0.25) to cater for those with less financial capacity
- Classes included in Acts; Congress Resolution records classes selected by members
- Treaty amendments drafted
- No financial impact on members

## Variant 5 – Status Quo (with PUASP-style management rules)

| Variant 5         |                    |  |  |   |
|-------------------|--------------------|--|--|---|
| Member            | Contribution Units | Member Contribution Per Approved 2025 Budget | Member Contribution Per Current System of Contribution Units | Change in Member Contribution v Current System (\$) |
| Afghanistan       | 1                  | 2,737  | 2,737  | 0   |
| Australia         | 5                  | 13,683                                       | 13,683   | 0   |
| Bangladesh        | 4                  | 10,946                                       | 10,946   | 0   |
| Bhutan            | 1                  | 2,737  | 2,737  | 0   |
| Brunei Darussalam | 2                  | 5,473  | 5,473  | 0   |
| Cambodia          | 1                  | 2,737  | 2,737  | 0   |
| China             | 5                  | 13,683                                       | 13,683   | 0   |
| Fiji              | 2                  | 5,473  | 5,473  | 0   |
| India             | 5                  | 13,683                                       | 13,683   | 0   |
| Indonesia         | 3                  | 8,210  | 8,210  | 0   |
| Iran              | 3                  | 8,210  | 8,210  | 0   |
| Japan             | 5                  | 13,683                                       | 13,683   | 0   |
| Korea             | 5                  | 13,683                                       | 13,683   | 0   |
| Lao               | 1                  | 2,737  | 2,737  | 0   |
| Malaysia          | 2                  | 5,473  | 5,473  | 0   |
| Maldives          | 2                  | 5,473  | 5,473  | 0   |
| Mongolia          | 2                  | 5,473  | 5,473  | 0   |
| Myanmar           | 1                  | 2,737  | 2,737  | 0   |
| Nauru             | 0.5                | 1,368  | 1,368  | 0   |
| Nepal             | 2                  | 5,473  | 5,473  | 0   |
| New Zealand       | 3                  | 8,210  | 8,210  | 0   |
| Pakistan          | 3                  | 8,210  | 8,210  | 0   |
| Papua New Guinea  | 2                  | 5,473  | 5,473  | 0   |
| Philippines       | 2                  | 5,473  | 5,473  | 0   |
| Samoa             | 0.5                | 1,368  | 1,368  | 0   |
| Singapore         | 2                  | 5,473  | 5,473  | 0   |
| Solomon Islands   | 1                  | 2,737  | 2,737  | 0   |
| Sri Lanka         | 3                  | 8,210  | 8,210  | 0   |
| Thailand          | 2                  | 5,473  | 5,473  | 0   |
| Tonga             | 0.5                | 1,368  | 1,368  | 0   |
| Vanuatu           | 1                  | 2,737  | 2,737  | 0   |
| Vietnam           | 2                  | 5,473  | 5,473  | 0   |
|                   | 74.5               | 203,877                                      | 203,877  | 0   |



# Summary of assessment of Variants

| Feature   | Variant 1  | Variant 2  | Variant 3   | Variant 4   | Variant 5  |
|---|--|--|---|---|--|
| Document Ref  | Appendix 2   | Appendix 3   | Appendix 4  | Appendix 5  | Appendix 6   |
| System Type   | Fixed and variable components  | UN Scale of Assessments – system design level (UPU 1.0)            | UN Scale of Assessments – practical application level (UPU 2.0)   | PAPU Tiers based on Scale of Assessment   | PUASP system based on voluntary unit selection   |
| Degree of change from current system                      | Significant  | Significant, albeit with UPU now using the system                  | Minor   | Significant   | Minor  |
| Need to recalculate key components for new Congress cycle | Yes, but not significant work  | Only contribution unit value for revised ceiling and unit numbers. | Only contribution unit value for revised ceiling and unit numbers.  | Yes, but not significant work   | Only contribution unit value for revised ceiling and unit numbers.   |
| Sustainability  | Untested, but two components will probably give rise to ongoing debate   | System has created transitional difficulties in UPU                | No issues   | Untested, but two components will probably give rise to ongoing debate  | No issues  |
| Fairness (financial impacts on members)                   | Significant variations (from -42% to +16%)   | Extremely significant variations (from -99% to +610%)              | No change to current contribution levels  | Significant variations (from -69% to +40%)  | No change to current contribution levels   |
| Equitability  | No. Produces increases for a number of less financially able members and decreases for those with strong financial capacity. | No   | Yes. Members have some control over their contribution class, and there is scope to increase contributions on a voluntary basis to a greater degree than currently applies. Does not allow members to automatically decrease contributions. | Undecided. Provides decreases for less financially able members and increases for those with strong financial capacity. | Yes. Members have some control over their contribution class, and there is scope to increase contributions on a voluntary basis to a much greater degree than currently applies. Allows members to decrease contributions. |
| Linked to UPU system                                      | No   | No   | Yes   | No  | No   |
| Revision of Acts  | Requires new material to be drafted  | Requires new material to be drafted                                | Minor change to text currently in Acts  | Requires new material to be drafted   | Requires new material to be drafted  |

# Variants that meet review criteria - 1



- Variant 3 – UN Scale of Assessments (UPU new system) – practical application level
- Variant 5 - PUASP system based on voluntary unit selection
- Other three Variants
  - Complex compared to Variants 3 and 5
  - Result in contribution changes, some of which might be unacceptable





## Variants that meet review criteria - 2

- Both Variant 3 and Variant 5:
  - Retain a structure identical to current system
  - Have no financial impact on members
  - Are generally sustainable, fair and equitable – UN Scale of Assessments (UPU new system) – practical application level
- Variant 3 is not a voluntary system – linked to UPU where some members are being encouraged to increase contributions up to Scale of Assessments level – this will increase those members' APPU contributions
- Variant 5 – is voluntary – members can increase or decrease contributions
- Amending the Acts might be easier for Variant 3 – but not a major difference here

# Preferred option



- Both have positive aspects
- Variant 5 was regarded as the preferred option in 5 June JSC meeting (noting that Variant 3 had not been developed at that stage)
- Variants 3 and 5 are similar in merit
- Greater contribution flexibility for members in Variant 5 makes it the suggested preferred option



# Decisions for JSC



- **JSC recommends:**
  - Variant 5 be accepted, in principle, by the 2025 EC as the proposed new contribution class system for the APPU
  - the JSC, supported by the Reform Consultant, undertakes any further work required on Variant 5 until such time as the membership confirms the proposed new contribution class system is considered fit-for-purpose; and
  - the JSC, supported by the Reform Consultant, be available as required until the new contributions system is adopted by the Union for the purpose of supporting members and the Bureau with information and guidance on the proposals to ensure there is an efficient conclusion to the mandate from the 2022 APPU Congress per Resolution C 6/2022.



# Development of the Financial Contributions System – decisions for EC



The EC is asked to:

- **note** the requirement for the JSC to identify a sustainable, fair and equitable contribution class system at the 2025 EC meeting
- **note** the background to the current system, its relationship with the former UPU system, and the need to find a new basis for the APPU system
- **note** the work undertaken by the JSC since the 2024 EC meeting
- **note** the five contribution class variants developed and the assessment of these variants
- **note** the two variants that meet the criteria for the new APPU contribution class system
- **note** the basis for deciding which of the two variants is submitted as the preferred option
- **agree** with the JSC recommendations that:
  - Variant 5 be accepted, in principle, by the 2025 EC as the proposed new contribution class system for the APPU;
  - the JSC, supported by the Reform Consultant, undertakes any further work required on Variant 5 until such time as the membership confirms the proposed new contribution class system is considered fit-for-purpose; and
  - the JSC, supported by the Reform Consultant, be available as required remains in place until the new contributions system is adopted by the Union for the purpose of supporting members and the Bureau with information and guidance on the proposals to ensure there is an efficient conclusion to the mandate from the 2022 APPU Congress per Resolution C 6/2022





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# Agenda item 4

## Interim Contribution Unit



# Background

- Resolution C 4/2022 implemented interim 0.5-unit class for UPU 0.1-unit countries (SIDS, less than 200,000 population) (Nauru, Samoa, Tonga)
- 0.5-unit remains until new contributions system is agreed and put in Acts



# Link with other JSC work



- Overall study of financial contributions has two Variants that meet the criteria for a new system.
- Both options propose unit classes that include the 0.50 interim class for the UPU 0.1-unit APPU members.
- However, any change made to the interim contribution unit will result in an automatic update of the contribution unit classes proposed in the new system

# Basis for making a decision



- 2022 Congress accepted that any final decision would be arbitrary
  - No direct mathematical relationship between the UPU and APPU contribution class systems
  - APPU system has minimal financial distinction between members – whereas UPU system has quite significant financial distinction between members
  - Scale of difference across all financial aspects of UPU and APPU means that meaningful comparisons or guidance do not exist





## Three options

- Continue with no change i.e., confirm 0.5 as the permanent contribution class
- Variant 1 – 0.25 units
- Variant 2 – 0.10 units

| Element   | Current:<br>0.50 Units | Variant 1:<br>0.25 Units | Variant 2:<br>0.10 Units |
|---|------------------------|--------------------------|--------------------------|
| <b>2025 Budget</b>                              | 203,877                | 203,877                  | 203,877                  |
| <b>No. of Contribution Units</b>                | 74.50                  | 73.75                    | 73.30                    |
| <b>Contribution Unit Value</b>                  | 2,737                  | 2,764                    | 2,781                    |
| <b>Increase in Contribution Unit Value (\$)</b> | N/A                    | 28                       | 45                       |
| <b>Increase in Contribution Unit Value (%)</b>  | N/A                    | 1.02%                    | 1.64%                    |
| <b>SIDS (&lt;200,000 pop)</b>                   | 1,368                  | 691                      | 278                      |

## Financial assessment of the three options





# Comment on financial assessment

- Impact of Variants 1 and 2 on other members is an increase of 1-2%
- Expectation is for a lower unit to be proposed (although there is no commitment to do this)
  - This expectation would rule out continuing with the 0.50-unit class
- Given the overall arbitrary nature of the subject, the financial assessment does not produce any significant information or direction. The countries involved should be invited to express a view, and then proceed to a final decision.



## Interim Contribution Unit - decisions

The EC is asked to:

- **note** the background to the creation of an interim 0.50-unit contribution class at the 2022 Bangkok Congress for UPU 0.1-unit contribution class members
- **note** the requirement for the interim contribution class to be reviewed and formally inserted in the Acts of the Union
- **note** the link between the interim contribution unit and the overall review of the financial contributions system
- **note** the arbitrary nature of decision-making on this matter due to the absence of useful (comparative) guidance
- **note** the financial assessment across three options
- **agree** with the JSC recommendations for:
  - the creation of either a 0.25-unit contribution class or a 0.1-unit contribution class for the SIDS members with populations of less than 200,000 (i.e., Nauru, Samoa and Tonga); and
  - the JSC, supported by the Reform Consultant, be available as required to manage the process of the decision through to its adoption by the Union.





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# Agenda item 5

Management of Future Arrears

# Background



- Basis for considering future management of arrears is Resolution C 5/2022 (“Nauru’s arrears in contributions to the APPU”).
- 2024 EC agreed on steps APPU should take in future for arrears management (charge interest, implement amortisation schedules).
- 2024 EC did **not** agree to setting aside debt, sanctions, or credits
- 2025 EC – JSC is required to propose an approach for management of any future arrears.



# Commitments for JSC



- Resolution EC 1/2024
  - The JSC will develop a proposal for an arrears management scheme for the APPU that:
    - **Includes** the discretionary application of interest to arrears and amortisation schedules and associated time limits; but
    - **Does not include** credit transfers, sanctions, pathways to lift sanctions or pathways to release from amortisation schedules, and
  - The JSC will present a proposal to the 2025 Executive Council meeting for approval to be submitted to the 2026 Congress for decision.

# Proposal for future management of arrears in financial contributions



- Amendments have been prepared for Article 117 as follows:
  - 117.6 Option 1 – no change (retain interest rates as currently drafted)
  - 117.6 Option 2 - delete the interest rates from the Gen Regs, and replace the provision through Congress or EC setting / updating the rates from time to time by Resolution
  - Adding (for both Options 1 and 2):
    - 117.6 bis – amortisation schedules (ten years in principle)
    - 117.6 ter – unpaid debt cannot be cancelled or put aside
    - 117.6 quater – any issues that cannot be solved will be dealt with by Congress





## Proposed texts - 1

### 117.6 Option 1

- No change

### 117.6 Option 2

- .... For contributions for the administrative section, after that date, the sums due ~~shall~~ **may, at the discretion of Congress or the Executive Council**, be chargeable with interest in favour of the Union at ~~the rate of 3 percent per annum for the first six months and of 6 percent per annum from the seventh month.~~ **rates prescribed in Resolutions from time to time by Congress or the Executive Council.**

## Proposed texts - 2



**Add new paragraph 6 bis (for both Options 1 and 2):**

**6 bis Where a member-country has more than three years' contributions owing (not including a current year), this will constitute a situation of arrears. In this case, the Executive Council, or Congress if appropriate, will, in conjunction with the member-country establish an amortisation schedule comprising the unpaid contributions and, at the discretion of the Union, interest. As a general rule, an amortisation schedule is limited to ten years for the completion of repayment, but this may be extended by mutual agreement.**





## Proposed texts - 3

**Add new paragraphs 6 ter and 6 quater (for both Options 1 and 2):**

**6 ter Under no circumstances can unpaid contributions be cancelled or put aside. The same also applies to unpaid interest at the discretion of Congress or the Executive Council.**

**6 quater In the event of a member-country failing to complete its obligations under an amortisation schedule, Congress will consider the matter and implement remedial steps.**

# Management of Future Arrears - decisions



The EC is asked to:

- **note** the background to the future management of arrears in contributions
- **note** the general support of the 2024 EC for a system to manage future arrears in contributions and the elements that such a system might contain
- **note** the requirement set down for the JSC at the 2025 EC meeting of developing and presenting a proposal for an arrears management scheme to then be submitted to the 2026 APPU Congress for decision
- **note** the two Options for the documentation of interest rates applicable to arrears and that the JSC will advise its decision in the 2025 EC meeting
- **approve** the JSC recommendations concerning the:
  - proposed amendments to General Regulations Article 117 (either Option 1 or Option 2 as decided by the JSC) to provide an arrears management scheme for the Union; and
  - JSC, supported by the Reform Consultant, being available as required to manage the process of the decision through to its adoption by the 2026 Congress or by a later Treaty meeting.





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# Agenda item 6

**Nauru's Arrears in Contributions**



# Background

- Resolution C 5/2022 (“Nauru’s arrears in contributions to the APPU”)
- Nauru has arrears of US\$ 10,100 (for 2013 and 2015-2018)
- It asked the APPU (in 2019) for the arrears to be waived
- In accordance with agreed timings, at the 2024 EC meeting the JSC identified and assessed Nauru’s historical arrears
- At the 2025 EC meeting , the JSC is required to propose a resolution of Nauru’s historical arrears





# Guidance for decision

- Initial consideration of the matter (2019-2022) focused on debt release i.e., under for what reasons and under what conditions could the debt be waived
- 2022 Congress – Resolution C 5/2022 – provided guidance
  - Outcome should be based on system adopted by UPU in 2021 with a significant proviso
  - Any decision taken by the 2022 Congress in this matter cannot limit the ability of the 2022-2026 EC to take current and new factors into consideration in arriving at a final proposal for releasing Nauru from its historical debt, ...”
  - 2024 EC decided that, for arrears in contributions, the APPU would focus on arrears management and not debt release

# Nauru's Arrears in Contributions - decisions



The EC is asked to:

- **note** the background to Nauru's historic arrears in contributions, including initial representations at the 2022 APPU Congress
- **note** initial guidance for dealing with the issue from the 2022 APPU Congress
- **note** the proviso for also taking post-Congress factors into account to deal with the issue
- **note** JSC observations on debt release v arrears management
- **note** 2024 EC views on managing existing and future arrears, and the setting aside of unpaid debt
- **agree** with the JSC recommendations that:
  - Nauru's arrears be managed using the UPU process for seeking payment in full; and
  - an amortisation schedule be established for recovery of the full arrears over a period agreed between Nauru and the EC
- **approve** a draft 2026 Congress Resolution that enables this matter to be finalised
- agree that the JSC, supported by the Reform Consultant, be available as required to manage the process of the matter through to its adoption by the 2026 Congress



# Draft Resolution



- **EXECUTIVE COUNCIL** Resolution Nauru's arrears in contributions to the APPU
- **Congress,**
- **recalling** the request made at the 2022 APPU Bangkok Congress for the EC, in conjunction with the Bureau, to complete a review of the historic arrears in contributions on the part of Nauru and to bring a solution to the 2026 APPU Congress in an appropriate Resolution,
- **further recalling** the guidance provided to the EC in Resolution C 5/2022 and in paragraph 9.2 of the supporting document Congress 2022 Doc 24.7 Rev 1, as well as the proviso in Resolution C 5/2022 giving the EC scope to take into account any new factors in order to arrive at a final proposal
- **noting** the work undertaken by the JSC for the 2024 EC meeting where it presented how the full arrears management system of the UPU operated and the context in which debt forgiveness and setting aside come into play
- **further noting** that in terms of the APPU basing its process for the Nauru arrears on the system adopted by the UPU in 2021, that there are elements of that system that precede debt forgiveness and setting aside of unpaid balances
- **agrees** that the next step with the Nauru situation is to manage the repayment of arrears through the establishment of an amortisation schedule with its timeframe being agreed between Nauru and the EC
- **directs** the EC, in conjunction with Nauru and the Bureau, to implement the amortisation schedule and to report to the 2030 Congress on the outcome.



# Report of the JSC of the Finance Committee and the Reform Working Group - decisions



The EC is asked to:

- **note** the JSC work programme
- **note** the detailed supporting documents
- **note** the information and positions reached on the review of:
  - the financial contributions system
  - the interim arrangement to accommodate the UPU 0.1-unit contribution class members
  - the future policy and management system for arrears in member contributions
  - Nauru's arrears in contributions
- **note** and **approve** the individual recommendations on each of the matters i.e.,
  - the financial contributions system
  - the interim arrangement to accommodate the UPU 0.1-unit contribution class members
  - the future policy and management system for arrears in member contributions
  - Nauru's arrears in contributions
- **note** the next steps for the JSC, supported by the Reform Consultant
- **note** that, subject to approval of the recommendations in EC 2025 Doc 17.1, substantial progress has been made on the work programme.





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# Agenda item 7

Any other business?