

## EXECUTIVE COUNCIL 2025

### Topic: Future management of arrears in contributions: Report of the Joint Sub-Committee of the Finance Committee and Reform Working Group (JSC)

1. Subject	References/ Paragraphs
<p>Informing the EC on:</p> <ul style="list-style-type: none"> <li>- the background to the future management of arrears in contributions</li> <li>- 2024 EC views on managing future arrears including the setting aside of unpaid debt</li> <li>- the action assigned to the JSC for the 2025 EC meeting</li> <li>- the proposed amendments to the General Regulations to establish an arrears management system, including a choice between Option 1 and Option 2 for the documenting of interest rates applicable to arrears</li> </ul>	<p>§§ 1 - 2 §§ 3.1 – 3.4 § 3.5 § 4, Appendix 1</p>
<p><b>2. Decision expected</b></p> <p>The EC is asked to:</p> <ul style="list-style-type: none"> <li>- <b>note</b> the background to the future management of arrears in contributions</li> <li>- <b>note</b> 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</li> <li>- <b>note</b> 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</li> <li>- <b>note</b> 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</li> <li>- <b>approve</b> the JSC <b>recommendations</b> concerning the: <ul style="list-style-type: none"> <li>- 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</li> <li>- 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.</li> </ul> </li> </ul>	<p>§§ 1 - 2 § 3.4 § 3.5 § 4.2, Appendix 1 § 5.1 (i), Appendix 1 § 5.1 (ii)</p>

## 1. Introduction

- 1.1 This document responds to an aspect related to Resolution C 5/2022 (“Nauru’s arrears in contributions to the APPU”). In the course of dealing with the Nauru arrears situation, the 2023 EC meeting identified a possible need for the Union to have provisions that enabled any future instances of arrears to be systematically managed (the point being that the Nauru case highlighted that there were no such provisions in practice or available for dealing with this matter).

- 1.2 To enable the necessary work to be done, Resolution EC 3/2023 (“Work programme on the full review of the financial contributions system”), requested the Joint Sub-Committee of the Finance Committee and Reform Working Group (JSC) to proceed as follows.
- (i) By the 2024 EC meeting – identify and assess possible scenarios to address the issue of future arrears (such as the development of a fair, equitable, and sustainable debt repayment or amortisation scheme (this was undertaken and completed as set out in EC 2024 Doc 17).
  - (ii) By the 2025 EC meeting – propose an approach, if required, to manage any future instances of arrears (as now presented in this document (EC 2025 Doc 14.4).

## **2. Background**

- 2.1 Aside from Nauru, there have been no other arrears situations in the APPU.
- 2.2 The Nauru case, however, highlighted a gap in the Union’s systems. The 2024 EC reviewed the matter and noted that there could be merit in a future arrears management scheme in the APPU, modelled to an extent on the UPU system but not including all UPU features (EC 2024 Doc 17 refers).
- 2.3 An element in the 2024 EC consideration of future arrears is that it is better to have a system before it is needed, rather than having to design one under the pressure of immediate need.

## **3. 2024 EC consideration of a future arrears management scheme**

- 3.1 In its report presented at the 2024 EC the JSC made an assessment of:
- (i) how the APPU should manage future arrears; and
  - (ii) whether the APPU should implement similar arrangements to the UPU pathways for setting aside arrears and lifting sanctions
- 3.2 To make the assessment, the JSC examined each of the UPU arrears management provisions to see if it would be relevant / useful in the APPU. The following sets out the position on each provision.
- (i) Interest and interest forgiveness
 

Both organisations can charge interest on overdue amounts. However, the APPU has never used the provision. And, even if the APPU did charge interest, it does not have a provision to waive interest that has accrued. This is a provision (i.e., the ability to waive interest that has accrued) that could be of benefit to the APPU in managing future arrears.
  - (ii) Credits
 

Whereas the UPU has credits at its disposal (e.g., payments for mail transactions) that can be transferred to cover arrears, the APPU does not. This is not a provision that the APPU can use.
  - (iii) Amortisation schedules and timeframes to repay
 

The UPU has the possibility of allowing ten years, or longer, for arrears to be paid. The APPU

does not have any such provision. Nevertheless, it is a provision that the APPU could use in the future.

(iv) Sanctions

In the UPU, members in arrears can lose their right to vote at Congresses and Council meetings, and lose eligibility to be a member of Councils. In the APPU, however, losing the right to vote at Congress would have limited effect because our decisions have less impact than those taken by the UPU. EC membership is not a usable measure because all APPU members are automatically EC members. Sanctions was not seen as a provision that would be useful to the APPU.

(v) Setting aside arrears

Setting aside arrears (i.e., debts are not cancelled but simply put to one side) have significantly different impacts between the UPU and APPU. The table below provides a summary.

Impacts of Setting Aside Arrears		
Measure	UPU	APPU
Interest applied to debt	Interest no longer charged when arrears set aside	Does not charge interest at present
Debt amortisation repayments	No longer required	Does not exist in APPU
Sanctions	Lifted	APPU does not have sanctions

In essence, setting aside debts in the APPU would only confirm that a member will not pay its arrears at any stage. The JSC did not favour the APPU setting aside arrears.

3.3 The 2024 EC further noted that the APPU is founded in the spirit of solidarity and supporting members who may have difficulties in paying membership contributions.

3.4 The 2024 EC also noted that an APPU arrears management system **might include**:

- (i) charging of interest on a discretionary basis and within clearly defined parameters; and
- (ii) amortisation schedules with certain time limits that could be varied by the EC.

but that it would be **inappropriate to introduce provisions** that:

- (iii) facilitated the transfer of credits;
- (iv) applied sanctions; or
- (v) facilitated the lifting of sanctions or release from debt amortisation schedules.

3.5 The EC approved Resolution EC 1/2024, the key clauses being:

- (i) 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

- (ii) the proposal will be presented to the 2025 Executive Council meeting for approval to be submitted to the 2026 Congress for decision.

#### 4. The proposal

4.1 Appendix 1 sets out a draft proposal that reflects the outcome of the 2024 EC meeting.

4.2 On the question of interest rates to be charged, there are two options.

**Option 1:** prescribe the interest rates applicable in the General Regulations

If the interest rates require to be changed, it will be necessary to amend the Acts (a practice that the review of Governing Documentation is seeking to minimise).

**Option 2:** prescribe the interest rates applicable in a Congress or EC Resolution.

A resolution provides more flexibility and ease in terms of amendments, and if there is only one member country to which interest may apply, it would allow that member country to negotiate rates based on the market i.e. reflecting business trading conditions.

4.3 Both options have been drafted in the texts provided at Appendix 1.

#### 5. JSC recommendation

5.1 The JSC **recommends** that the 2025 EC:

- (i) **approves** the proposed draft text (either Option 1 or Option 2 as decided by the JSC) of the amendment to General Regulations Article 117 as set out in EC 2025 Doc 14.4 Appendix 1 for submission to the 2026 APPU Congress; and
- (ii) **approves** the 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.

**Proposed changes to General Regulations Article 117, Budget and Accounts of the Union: Text for Option 1**

<b>Current Text</b>	<b>Proposed Text</b>	<b>Comment</b>
6. Member-countries shall pay their contributions to the Union's annual expenditure for the administrative section in advance on the basis of the budget laid down by Congress or by the Executive Council. These contributions shall be paid not later than the first day of the financial year to which the budget refers. Contributions for the training section shall be paid by 31 January of the year to which they pertain. For contributions for the administrative section, after that date, the sums due shall 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.	6. Member-countries shall pay their contributions to the Union's annual expenditure for the administrative section in advance on the basis of the budget laid down by Congress or by the Executive Council. These contributions shall be paid not later than the first day of the financial year to which the budget refers. Contributions for the training section shall be paid by 31 January of the year to which they pertain. For contributions for the administrative section, after that date, the sums due shall 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.	Current text
	<b>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.</b>	The 2024 EC favoured the establishment of an amortisation schedule for arrears in contributions.  Defining arrears as three years unpaid contributions (excluding a current year) is aimed at acting quickly rather than waiting for an unknown period of time for the issue to resolve itself.  Ten years for completing payment under an amortisation schedule, follows the UPU practice
	<b>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.</b>	The 2024 EC ruled out the UPU practice of releasing members from debt through the setting aside process.
	<b>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.</b>	This is an exceptional arrangement designed to bring an arrears situation to a conclusion.

**Reasons:** refer to Congress 2026 Doc xx.x

**Proposed changes to General Regulations Article 117, Budget and Accounts of the Union: Text for Option 2**

<b>Current Text</b>	<b>Proposed Text</b>	<b>Comment</b>
6. Member-countries shall pay their contributions to the Union's annual expenditure for the administrative section in advance on the basis of the budget laid down by Congress or by the Executive Council. These contributions shall be paid not later than the first day of the financial year to which the budget refers. Contributions for the training section shall be paid by 31 January of the year to which they pertain. For contributions for the administrative section, after that date, the sums due shall 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.	6. Member-countries shall pay their contributions to the Union's annual expenditure for the administrative section in advance on the basis of the budget laid down by Congress or by the Executive Council. These contributions shall be paid not later than the first day of the financial year to which the budget refers. Contributions for the training section shall be paid by 31 January of the year to which they pertain. For contributions for the administrative section, after that date, the sums due <del>shall</del> <b>may, at the discretion of Congress or the Executive Council</b> , be chargeable with interest in favour of the Union at the <del>rate of 3 percent per annum for the first six months and of 6 percent per annum from the seventh month.</del> <b>rates prescribed in Resolutions from time to time by Congress or the Executive Council.</b>	<p>1. In line with the outcome of consideration of arrears management at the 2024 EC meeting, the application of interest to arrears was favoured as a discretionary measure.</p> <p>2. Setting actual interest rates in a Treaty-level document can be limiting e.g.,</p> <ul style="list-style-type: none"> <li>(i) the rates might not always reflect market conditions; and</li> <li>(ii) to keep rates current requires a Treaty amendment.</li> </ul> <p>Prescribing the interest rates in a Resolution gives flexibility to move with the market regarding the relevant rate without having to amend a Treaty. PUASP makes use of Resolutions for financial matters.</p>
	<b>6 bis</b> 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.	<p>The 2024 EC favoured the establishment of an amortisation schedule for arrears in contributions.</p> <p>Defining arrears as three years unpaid contributions (excluding a current year) is aimed at acting quickly rather than waiting for an unknown period of time for the issue to resolve itself.</p> <p>Ten years for completing payment under an amortisation schedule, follows the UPU practice</p>
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**Reasons:** refer to Congress 2026 Doc xx.x