

EXECUTIVE COUNCIL 2025

REPORT OF THE JOINT SUB-COMMITTEE OF THE FINANCE COMMITTEE AND THE REFORM WORKING GROUP

1. Subject	References/ Paragraphs
<p>Informing the EC on:</p> <ul style="list-style-type: none"> <li>- the JSC work programme</li> <li>- the detailed supporting documents</li> <li>- the financial contributions system</li> <li>- the interim arrangement to accommodate the UPU 0.1-unit contribution class members</li> <li>- the future policy and management system for arrears in member contributions</li> <li>- Nauru's arrears in contributions</li> </ul>	<p>§ 1.1 § 2.1, EC 2025 Docs 14.2-14.5 §§ 3.1 – 3.15 §§ 4.1 – 4.11  §§ 5.1 – 5.7  §§ 6.1 – 6.11</p>
<p>2. Decision expected</p> <p>The EC is asked to:</p> <ul style="list-style-type: none"> <li>- <b>note</b> the JSC work programme</li> <li>- <b>note</b> the detailed supporting documents</li> <li>- <b>note</b> the information and positions reached on the review of: <ul style="list-style-type: none"> <li>- the financial contributions system</li> <li>- the interim arrangement to accommodate the UPU 0.1-unit contribution class members</li> <li>- the future policy and management system for arrears in member contributions</li> <li>- Nauru's arrears in contributions</li> </ul> </li> <li>- <b>note</b> and <b>approve</b> the individual recommendations on each of the matters i.e., <ul style="list-style-type: none"> <li>- the financial contributions system</li> <li>- the interim arrangement to accommodate the UPU 0.1-unit contribution class members</li> <li>- the future policy and management system for arrears in member contributions</li> <li>- Nauru's arrears in contributions</li> </ul> </li> <li>- <b>note</b> the next steps for the JSC, supported by the Reform Consultant</li> <li>- <b>note</b> that, subject to approval of the recommendations in EC 2025 Doc 14.1, substantial progress has been made on the work programme.</li> </ul>	<p>§ 1.1 § 2.1, EC 2025 Docs 14.2-14.5  §§ 3.1 – 3.15 §§ 4.1 – 4.11  §§ 5.1 – 5.7  §§ 6.1 – 6.11   § 3.16 § 4.12  §5.8  § 6.12 § 7.2 EC 2025 Doc 14.1</p>

## 1. Background

- 1.1 There are four items of work in the Bangkok cycle, broadly related to member contributions, that have been grouped into one workstream. These are the review of:
- (i) the financial contributions system for the expenditure of the Union – established under Recommendation C 6/2022 (supported by Congress 2022 Doc 24.6);
  - (ii) the interim arrangement to accommodate the UPU 0.1-unit contribution class members – established under Decision C 4/2022 (supported by Congress 2022 Doc 24.5 Rev 1);
  - (iii) future policy and management system for arrears in member contributions – established under Resolution C 5/2022 (supported by Congress 2022 Doc 24.7 Rev 1 and Resolution EC 3/2023); and
  - (iv) Nauru's arrears in contributions – established under Resolution C 5/2022 (supported by Congress 2022 Doc 24.7 Rev 1).
- 1.2 In terms of undertaking the work on the four items, the 2023 EC approved a resolution (Decision EC 03/2023 "Work programme on the full review of the financial contributions system") that placed items (i), (iii) and (iv) under a single ad hoc body, with item (ii) then being absorbed into the workstream due to its clear association with the contributions system.
- 1.3 The single ad hoc body is the Joint Sub-Committee (JSC) co-chaired by the Chair of the Finance Committee and the Chair of the Reform Working Group (RWG) and assisted by the Reform Consultant. Membership of the JSC, which is open to all EC members, currently comprises:
- Afghanistan
  - Australia (Co-Chair, per Decision EC 03/2023, as Chair of RWG)
  - China
  - India
  - Japan (Co-Chair, per Decision EC 03/2023, as Chair of Finance Committee)
  - New Zealand
  - Pakistan
  - Thailand
- 1.4 All APPU member countries are welcome to become a member of the JSC, and the Co-Chairs welcome any interest from prospective members.

## 2. Update on JSC activity

- 2.1 The JSC met on 5 June. This document presents a summary of the documents discussed and the decisions / recommendations reached.
- 2.2 Following on from work presented to the 2024 EC meeting (as summarised in EC 2024 Doc 17), the JSC has progressed all four matters in its workstream. Details are provided in the following documents.

**EC 2025 Doc 14.2** – Development of a proposal for a new financial contributions system

**EC 2025 Doc 14.3** – Review of interim arrangement to accommodate UPU 0.1-unit contribution class members

**EC 2025 Doc 14.4 – Future management of arrears in contributions****EC 2025 Doc 14.5 – Nauru’s arrears in contributions****3. Development of a proposal for a new financial contributions system: 2025 activity**

- 3.1 The deliverable for the 2025 EC meeting is the identification of a sustainable, fair and equitable contribution class system for the APPU. This work was to take into account the UPU contribution system, member countries’ level of development, and also using for reference the contribution systems in other restricted unions. This has been completed in all respects.
- 3.2 Until 2021, the APPU system and the UPU system were linked. From 2022, when the UPU moved to a system based on the UN scale of assessments, it ceased to be a point of reference for the APPU system (apart from LDCs and SIDS) resulting in the need for this analysis. The key issue was that UPU members moved to placement in contribution classes of one-unit steps (or, possibly, half-unit steps in some instances). Hence, the link between these classes needed to be more precisely identified.
- 3.3 To ensure the JSC met the terms of reference for its work, it defined the terms “sustainable”, “fair” and “equitable”.

Term	Definition
Sustainable	Relates to the capacity for a system to maintain its initial design and not require modification, in whole or in part, due to financial stress caused for members.
Fair	Relates to: <ul style="list-style-type: none"> <li>what is covered by expenditure in terms of balancing the interests / needs of members and the interests / needs of the Administrative Section e.g., members are entitled to money being spent carefully, staff are entitled to reasonable conditions and equipment for their work</li> <li>minimising the financial impact of any change in system on members</li> </ul>
Equitable	Relates to the importance of recognising different financial capacities among members and keeping contributions at an appropriate level on an individual basis.

- 3.4 The new contributions system considered possible approaches: developing a system unique to the APPU; or reviewing systems used in other organisations and applying or adapting them to the APPU.

*Calculations and financial impacts of options developed*

- 3.5 Five variants were developed under the two approaches set out in paragraph 3.4.

Approach	Variant	Type
1: Developing a system unique to the APPU	1	<b>Fixed and variable cost system</b> where there is a fixed element that is the same for all 32 members, and a variable cost levied on current 2, 3, 4 <sup>1</sup> and 5-unit members
2: Reviewing systems used in other organisations	2	<b>UPU system 1.0</b> - based on UN scale of assessments at system design level
	3	<b>UPU system 2.0</b> – based on UN scale of assessments at practical application level
	4	<b>PAPU system</b> based on scale of assessments using a grouping methodology that equalizes contribution amounts
	5	<b>PUASP system</b> of voluntary contribution classes but expanded to better match divergent financial capacities.

- 3.6 EC 2025 Doc 14.2 contains the principles and outcomes of each of the variants, as well as a detailed

<sup>1</sup> The 4-unit contribution class is not provided for in the General Regulations. However, it was selected by one member (Bangladesh) in 2019 when it volunteered to move to a higher level of contribution.

calculation of cost impacts for each system. Material provided for reference and transparency can be found as follows (in EC 2025 Doc 14.2). Material is not required reading.

- **Appendix 2:** Variant 1 - Fixed and variable cost system
- **Appendix 3:** Variant 2 - UPU system 1.0
- **Appendix 4:** Variant 3 – UPU system 2.0
- **Appendix 5:** Variant 4 - PAPU system
- **Appendix 6:** Variant 5 - PUASP system

3.7 The table below provides a summary assessment of the material in EC 2025 Doc 14.2 Appendices 2 to 6.

Feature	Variant 1	Variant 2	Variant 3	Variant 4	Variant 5
Document Ref	EC Doc 14.2 Appendix 2	EC Doc 14.2 Appendix 3	EC Doc 14.2 Appendix 4	EC Doc 14.2 Appendix 5	EC Doc 14.2 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

**Note:** Both Variant 3 and Variant 5 retain the status quo for APPU contribution classes.

The point of difference between the two Variants is that Variant 3 re-establishes the link with the UPU contribution class system; as such it is not a voluntary system. Variant 5 on the other hand is a voluntary system which generally uses the rules established by PUASP for the management of contributions.

*Variants that meet review criteria*

3.8 Two variants meet the review criteria.

(i) Variant 3: UN Scale of Assessments – practical application level (UPU 2.0); and

(ii) Variant 5: PUASP system based on voluntary unit selection.

3.9 Both Variants 3 and 5 retain a structure identical to the current system, have no financial impact on members, and generally meet the criteria of sustainable, fair and equitable. The other three variants are complex in comparison to Variants 3 and 5. Further, and significantly, they result in contribution changes, some of which may be unacceptable.

3.10 As part of the assessment process for Variants 3 and 5, amendments to the Acts were drafted to understand what might be involved.

3.11 Refining Variants 3 and 5 to identify a preferred option is set out below.

Feature	Variant 3	Variant 5	Comment
Equitability	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.	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.	Both Variants introduce classes higher than those currently used to provide scope for voluntary increases for the current highest class. However, Variant 3 is limited to the current UPU model (6 units), whereas the PUASP basis for Variant 5 has three additional classes at the top end (6, 7 and 8 units).
Linked to UPU system	Yes	No	Variant 3 is not a voluntary system i.e., members are encouraged to increase contributions up to their UN Scale of Assessment, but members are not able to automatically decrease contributions. In the sense that it encourages alignment with the UN Scale of Assessment, it continues a link with the UPU system.  Variant 5 is a voluntary system and as such, allows members to increase or decrease contributions.
Revision of Acts	Minor change to text currently in Acts	Requires new material to be drafted	Treaty drafting for Variant 3 is more straightforward than for Variant 5.

3.12 While both Variants have positive aspects, Variant 5 was regarded as the preferred option when discussed at the JSC on 5 June, noting that Variant 3 had not yet been developed. Having assessed the new Variant 3, developed in response to comments from the APPU Bureau, against Variant 5, which had received some support from APPU member countries, it appears that the two Variants are similar in merit, but with Variant 5 having flexibility for APPU member countries to decrease

contributions.

### ***Recommendations***

3.13 The JSC **recommends** that:

- (i) Variant 5 be accepted, in principle, by the 2025 EC as the proposed new contribution class system for the APPU;
- (ii) 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
- (iii) 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.

## **4. Review of interim arrangement to accommodate UPU 0.1-unit contribution class members**

4.1 The deliverable for the 2025 EC meeting is a proposal regarding the interim 0.50-unit contribution class for APPU members who are in the UPU 0.1-unit contribution class (i.e., Nauru, Samoa and Tonga).

4.2 As set out in Congress 2022 Doc 24.5 Rev 1, the reduction in contribution unit for APPU members who qualify for the UPU 0.1-unit contribution class came from an approach by Nauru in 2019. At that time, Nauru sought a reduction from its 1-unit class to a more affordable level. As an interim measure the 2022 Bangkok Congress approved the 0.50-unit class. Decision C 4/2022 specified that the arrangement:

- (i) came into effect on 1 January 2024; and
- (ii) remained in place until the necessary amendment is made to Article 116 of the APPU General Regulations.

4.3 Procedurally, the arrangements in paragraph 4.2 were made through a proposal of a general nature (resolution). This was because the Acts could not be amended at the 2022 Congress due to domestic approval requirements for some members.

### *Link with other JSC work*

4.4 Paragraph 3 of this document deals with a revised structure for the APPU contribution class system. If a recommendation changing the 0.50 interim contribution class is agreed, then the structure put forward in paragraph 3 will be amended accordingly.

### *The basis for a decision on the interim 0.50-unit contribution class*

4.5 The 2022 Congress accepted the fact that any decision in this area would be of an arbitrary nature. Supporting this position were the following points.

- (i) There was no direct relationship (i.e., one-for-one) between the contribution class systems of the UPU and APPU. Nor was there a direct relationship between groups of contribution

classes in the UPU and respective classes in the APPU.<sup>2</sup> (This meant that the new 0.1-unit class in the UPU could not be automatically assigned an APPU contribution class reflecting the same level of decrease from a previous APPU contribution class.)

- (ii) The current contribution class system in the APPU produces minimal financial distinction between members compared with the UPU.
- (iii) The scale of difference across all financial facets of the two organisations resulted in meaningful comparisons or guidance not being available.

#### *Financial assessment*

4.6 Three options were considered.

- (i) Current (interim) contribution class of 0.50 units
- (ii) Variant 1 contribution class of 0.25 units
- (iii) Variant 2 contribution class of 0.10 units

4.7 The financial assessment of the three options (all monetary figures in USD) is set out below.

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

4.8 Both of the Variants increase the contribution unit in the 1-2% range. For a 5-unit class contributor, the Variants represent an annual membership increase of \$140 (0.25 units) or \$225 (0.10 units).

#### *Decision*

4.9 Although there is no measurable guidance for a decision, there are two considerations to take into account.

- (i) No commitment was made in 2022 for any further reduction, however there may have been an assumption amongst APPU member countries that the 0.50-unit class was temporary, and a lower mark would be reached in due course. On that basis, the JSC ruled out settling on the current interim 0.50-unit class as its decision.
- (ii) The 0.10-unit class is solely in the calculations because of its use in the UPU. Adopting it as a possible solution would diminish the understanding of the benefits derived by the affected APPU member countries from the Union.

4.10 The 0.25-unit class is seen as being a reasonable outcome for the APPU membership, being a further discount from the 0.5 unit class, while recognising benefits gained through the Union by the affected member countries, and not unduly burdening those who pick up the additional cost.

4.11 Having balanced the benefits and drawbacks of the 0.25 and 0.1-unit contribution classes, and noting the changing financial circumstances of postal operators, many of whom pay the APPU membership contributions, the JSC will continue to consult with APPU member countries on which

<sup>2</sup> "Direct relationship" means a mathematical correlation.



of the options is appropriate.

### **Recommendations**

4.11 The JSC **recommends** that the EC:

- (i) **agrees** in-principle to 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 300,000 (i.e., Nauru, Samoa and Tonga), **noting that some flexibility to further adjust the population threshold in future will be required**; and
- (ii) **agrees** to the JSC, supported by the Reform Consultant, being available as required to manage the process of the decision through to its adoption by the Union.

## **5. Future management of arrears in contributions**

- 5.1 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).
- 5.2 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 undertake the assignment.

### *2024 EC decisions*

- 5.3 The 2024 EC meeting arrived at the following decisions.
  - (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.
  - (ii) The proposal will be presented to the 2025 Executive Council meeting for approval to be submitted to the 2026 Congress for decision.
- 5.4 A key aspect of the 2024 EC work was that the APPU would manage the payment of arrears, meaning that it would not enter into setting debt aside.
- 5.5 On the basis of paragraph 5.3, the JSC has developed a proposal with two Options regarding the documentation of interest rates payable on arrears.

### *The proposal*

- 5.6 Appendix 1 sets out a draft proposal that reflects the outcome of the 2024 EC meeting. At its meeting on 2 July, the JSC considered two Options for the documentation of interest i.e.,

#### **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.

- 5.7 The outcome of the JSC consideration of the two Options will be reported verbally during the presentation of EC 2025 Doc 14.1.

### ***Recommendations***

- 5.8 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 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.

## **6. Nauru's arrears in contributions**

- 6.1 Resolution C 5/2022 ("Nauru's arrears in contributions to the APPU") was assigned to the JSC for developing a proposal to resolve the issue.
- 6.2 In line with Resolution EC 3/2023 ("Work programme on the full review of the financial contributions system"), the JSC has completed the following activities.
- (i) By the 2024 EC meeting – identify and assess Nauru's historic arrears (this was undertaken and completed as set out in EC 2024 Doc 17).
  - (ii) By the 2025 EC meeting – propose a resolution of Nauru's historic arrears (as presented in document EC 2025 Doc 14.5 and now summarised in this document (EC 2025 Doc 14.1)).

### ***Background***

- 6.3 Nauru accumulated historic arrears in contributions to the APPU of US\$10,100 (relating to 2013 and 2015-2018 i.e., five years). In 2019, Nauru requested that the debt be waived.
- 6.4 The APPU reviewed the request and decided that as it did not have any relevant provisions in the Acts of the Union, nor any precedents to guide the action to take, it would refer the request to the 2022 APPU Congress and seek a mandate for dealing with it.
- 6.5 The 2022 APPU Congress considered the matter. It handed down its decision in Resolution C 5/2022 supported by paragraph 9.2 of Congress 2022 Doc 24.7 Rev 1.

### ***Guidance for dealing with the Nauru request***

- 6.6 Resolution C 5/2022 directed the EC, in conjunction with the Bureau, to develop a final proposal releasing Nauru from its historic debt with the expectation that the work would take due account of steps available in the UPU for dealing with its (UPU) historic arrears.
- 6.7 To assist in developing the final proposal releasing Nauru from its historic debt, Resolution C 5/2022 adopted the considerations set out in paragraph 9.2 of the Congress document. These considerations include the following.
- (i) The proposal should be based on the system adopted by the UPU in 2021.
  - (ii) If the application of the UPU system brings the "five years" criterion into consideration, then the five years is the most recent five years for which unpaid contributions exist (i.e., 2013, 2015, 2016, 2017 and 2018).
  - (iii) If the proposal uses the "UPU Second Option", the multiplier is the more favourable of the:
    - (a) APPU interim contribution class (0.5 units); or

- (b) possible revised unit following the overall review of the APPU financial contributions system.
  - (iv) Remaining debt is not cancelled. Instead, it is set aside and treated according to the relevant financial rules. If Nauru finds itself again with arrears (the criteria for which will need to be defined by the Union) then the amounts set aside may be re-registered by the Union.
  - (v) The end-point of the EC's work would be a Resolution for the 2026 Congress that finalises the arrears in contributions matter.
- 6.8 Notwithstanding the guidance in paragraph 6.7, Resolution C 5/2022 contained an important proviso i.e.,

**"... 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, ..."**

*JSC observation on process and proposed solution*

- 6.9 Prior to the 2022 APPU Congress, consideration of the Nauru situation focused mainly on understanding how the UPU debt release provisions might be applied. In contrast, the JSC has focused more on arrears management and presented its views on the management of both future and existing arrears to the 2024 EC meeting. Regarding arrears management, the JSC noted that the full UPU system for dealing with arrears uses a number of steps to get payment of amounts due. Only when these steps have proved unsuccessful is a decision made, as a significant exception, to calculate a lesser amount as settlement with the unpaid balance then being put aside.
- 6.10 As set out in EC 2025 Doc 14.4 and summarised in paragraph 5 of this document, the management of arrears (existing and future) is proposed as comprising the discretionary application of interest (to arrears) and amortisation schedules with associated time limits. It is not proposed that debts be set aside or cancelled. Accordingly, this forms the solution for dealing with Nauru's arrears.

*Additional information*

- 6.11 In the course of considering this matter it has been noted that Nauru's arrears:
- (i) are "recent" compared to the UPU (where arrears can date back 40 years or more);
  - (ii) have no practical impact i.e., Nauru can participate fully in the activities of the APPU;
  - (iii) do not trigger sanctions;
  - (iv) do not attract interest; but
  - (v) do impact the Union's financial position and ability to support the region's postal sector.

***Recommendations***

- 6.12 The JSC **recommends** that the 2025 EC:
- (i) **Agrees** that the resolution of the Nauru arrears situation be undertaken through a process that uses the arrears management part of the UPU system for dealing with the Nauru debt with a view to repayment in full.
  - (ii) **Agrees** that an amortisation schedule be established that seeks repayment over a period that is agreed between Nauru and the EC.
  - (iii) **Agrees** that the 2025 EC supports the tabling of the draft resolution at Appendix 3 to the 2026 Congress for decision.

- (iv) **Agrees** 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.

## **7. Next Steps**

- 7.1 The JSC, supported by the Reform Consultant, has made substantial progress on its work programme.
- 7.2 In terms of further work, apart from availability, as required, to support members and the Bureau (where appropriate) with information on Congress proposals or supporting documentation, the position is as follows.
  - (i) Review of financial contributions
    - (a) any further work required by members to ensure the proposed system is considered fit-for-purpose (paragraph 3.16 (iii))
    - (b) documentation of the Congress proposal and relevant supporting information
  - (ii) Interim contribution unit for UPU 0.1-unit contribution class members
    - (a) documentation of the Congress proposal and relevant supporting information
  - (iii) Future management of arrears in contributions
    - (a) documentation of the Congress proposal and relevant supporting information
  - (iv) Nauru arrears in contributions
    - (a) documentation of the Congress proposal and relevant supporting information

## **8. Outcomes of the Meeting on Wednesday 2 July 2025 at the Ulaanbaatar EC Meeting**

- 8.1 The JSC met on Wednesday 2 July during the Ulaanbaatar EC meeting. Attendees included Australia, China, Japan, Korea, New Zealand and Thailand, as well as observers.
- 8.2 The Co-Chairs, Australia and Japan, both made introductory remarks, and welcomed members and observers to the session, highlighting the importance of the JSC work.
- 8.3 The Reform Consultant introduced the JSC work, as discussed in EC 2025 Doc 14.1 – this document, and provided an overview of the Review of Financial Contributions, as discussed in EC 2025 Doc 14.2, with no comments.
- 8.4 The Reform Consultant provided an overview of the Interim Contribution Unit System, as discussed in EC 2025 Doc 14.3. Vietnam noted that the unit contribution of 0.25 or 0.1 is quite small at the APPU compared to the UPU, noting that the budget of the UPU is 400 times the size of the APPU. It would be useful to consider further review for countries paying a smaller contribution and undertake additional consultation. The Co-Chair (Australia) noted that it has presently only spoken with Samoa and would look to speak with other countries.
- 8.5 Fiji sought clarity on why three countries – Nauru, Samoa and Tonga – had been mentioned and queried about others, including Tuvalu. The Co-Chair (Australia) noted that Tuvalu is not being considered, as it is currently completing its ascension to the APPU, which was confirmed by the Bureau. Following the meeting, the Co-Chair (Australia) and the Reform Consultant were made

aware that it is necessary to change the population threshold in relation to Samoa, Tonga and Nauru as SIDS. This is because the original threshold of 200,000 persons set by the UPU has since been surpassed in Samoa. Some flexibility to adjust the threshold further will be required.

- 8.6 The Reform Consultant provided an overview of the Future Management of Arrears in Contributions work, as discussed in EC 2025 Doc 14.4. Vietnam queried the deadline for payments and asked in the case that interest is applied, does the APPU undertake consultation with the member countries who are in arrears? The Co-Chair (Australia) confirmed that the Bureau discusses this issue with Nauru, the only country in this situation, and the Bureau has the ability to choose whether it applied interest, which it has never done. The JSC had not yet consulted with Nauru, but would following this discussion.
- 8.7 Vietnam sought further information on when arrears situations are considered, noting that its own financial processes and deadlines can be challenging, and may create a scenario where it makes a late payment. The Reform Consultant noted that arrears become arrears when a member has not paid for the current three years, so any delayed payments would not result in a country being in arrears.
- 8.8 New Zealand sought clarification on if the JSC was selecting one or two options now, or if these would be debated and discussed at the Executive Council Closing Plenary. The Reform Consultant noted that the suggested approach is that the two outlined options go forward. The interest rates could be set in a Resolution. New Zealand noted that the application of interest rates would likely exacerbate issues that members have, and interest rates should be a late resort.
- 8.9 The Co-Chair (Australia) noted that the JSC could discuss with the Bureau the possibility of removing this provision in the Acts. The Bureau confirmed that it has never applied interest in its history, and the provision is to encourage members to pay on time. It would be useful to maintain the provision in the Acts to continue to encourage members to do this. The Co-Chair (Australia) noted that the JSC could leave the provision in the Acts, with the expectation that it will not be applied, and this would be captured in EC 2025 Doc 14.1 Rev 1 - this document.
- 8.10 The Reform Consultant provided an overview of the Nauru's Arrears in Contributions work, as discussed in EC 2025 Doc 14.5, and reiterated the discussion captured in EC 2025 Doc 14.1, with no comments.
- 8.11 The Co-Chair (Australia) asked for any other business and there was none. The Co-Chair (Australia) thanked JSC members and observers for their engagement and contributions and called the meeting closed.

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

Current Text	Proposed Text	Comment
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**

Current Text	Proposed Text	Comment
<p>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.</p>	<p>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>	<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> <p>(i) the rates might not always reflect market conditions; and</p> <p>(ii) to keep rates current requires a Treaty amendment.</p> <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>
	<p><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></p>	<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>
	<p><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></p>	<p>The 2024 EC ruled out the UPU practice of releasing members from debt through the setting aside process.</p>
	<p><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></p>	<p>This is an exceptional arrangement designed to bring an arrears situation to a conclusion.</p>

**CONGRESS**

Proposal of a general nature

**XX****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, and

**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.

**Reasons** – see Congress 2026 Doc xx.x