

Finances of the Union

Request from the Republic of Nauru: Reduction in contribution to APPU expenses (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
Informing the EC on: <ul style="list-style-type: none"> - the request from Nauru for a reduction in contribution class to the APPU administrative expenses - the link between the contribution class systems in the UPU and APPU - the introduction of a new 0.1-unit contribution class by the UPU in 2018 (which Nauru qualifies for) - the existence of a precedent for the APPU to follow changes made by the UPU regarding the contribution class system - guidance principles and calculations to assist in consideration of the creation of a 0.5-unit contribution class in the APPU - apparent anomalies in the current APPU contribution unit classification system - a request to the Finance Committee to make a specific assessment of this matter and table an initial report at the Tokyo EC meeting 	§ 1 § 2.1 §§ 3.1 – 3.2 § 5.1, Footnote 4 §§ 6.1 – 6.3, Appendix 1 §§ 7.1 – 7.2 § 8
2. Decisions expected The EC is asked to: <ul style="list-style-type: none"> - note the request from Nauru and the background to this matter - note that, according to preliminary work, the creation of a new 0.5-unit contribution class in the APPU would reduce the number of contribution units from 77 to 74.5, and increase the contribution unit by 3.4% - note that three countries could benefit from the creation of a new 0.5-unit contribution class (Nauru, Samoa, Tonga) - note that the research for the contribution unit review may have found some anomalies in the current classification of two of the members eligible for a new 0.5-unit APPU class - note that the Finance Committee has been requested to report back to the Tokyo EC meeting on specific aspects including an opinion on the creation of a new 0.5 unit contribution class, as well as how any confirmed classification anomalies might best be handled. 	§ 1 § 6.3, Appendix 1 § 6.3 §§ 7.1 – 7.2 § 8

1. Introduction

Nauru has requested a reduction in annual contribution to the administrative expenses of the APPU. Currently, Nauru contributes at 1 unit (US\$2,650 for 2018). Their request is for a “nominal amount that can be afforded by us” (i.e., Nauru).

2. Background

2.1 The contribution class system for apportioning the administrative expenses of the APPU is set out in the APPU General Regulations (Article 116). The system is based on a member’s contribution to the expenses of the UPU as set out in the table below.¹

¹ Source: General Regulations of the APPU, Article 116, § 1.

Contribution Units for UPU Expenses	Contribution Units for APPU Expenses
50, 40, 35, 25, 20	5
15, 10, 5	3
3, 1	2
0.5	1

2.2 Notwithstanding the relationship between the two contribution systems, if an APPU member wishes to contribute more units than specified, then they may do so.²

3. 2018 changes to UPU contribution class system

3.1 The 2018 UPU Extraordinary Congress introduced a number of new contribution classes. The changes fall into two categories viz.,

- (i) new contribution classes of 47, 43, 37, 33, 27, 23, 17, 13 and 7 units where the motivation is to reduce the financial impact of a member changing (down) from one class to another; and
- (ii) a new class of 0.1-unit reserved for countries which are recognised by the United Nations as Small Island Developing States (SIDS) with a population of under 200,000 (as per the latest statistical information published by the relevant office of the United Nations).³

3.2 A strong element of the argument for the introduction of the 0.1 contribution class was the typically low financial resources of members that met the criteria for the class. In some cases, the contribution to UPU expenses was greater than the annual business revenue of a designated operator.

4. Nauru's financial contribution to the expenses of the UPU

4.1 As a result of the change made by the 2018 UPU Extraordinary Congress, Nauru has moved from the 1-unit class to the 0.1-unit class. This results in an annual reduction (for current invoicing of UPU expenses) from CHF 45,000 to CHF 4,500.

5. Scope for Nauru to reduce APPU contribution

5.1 Under the current APPU General Regulations, there is no contribution class below the 1-unit class (as set out in paragraph 2.1). Accordingly, for Nauru to reduce its contribution, it would require the APPU to amend Article 116 of the General Regulations and create a new contribution class that, in principle, reflects the 0.1-unit established by the UPU. There is a precedent for a change of this nature to be made.⁴

6. Guidance for creating new contribution class

6.1 Making changes to the contribution class system (UPU or APPU) can be a complex matter. The first decision is whether to make a change or maintain the status quo. For its part, the Bureau believes the change made by the UPU in 2018 that recognises the financial situation of low-population SIDS, is a decision that the APPU should consider for its own contribution class system.

² Source: General Regulations of the APPU, Article 116, § 1.

³ Source: General Regulations of the UPU, Second Additional Protocol, Addis Ababa 2018, Article XXI, § 1.

⁴ The APPU added (APPU Tehran Congress, 2000) the 1-unit class to reflect, in principle, the 0.5-unit class (UPU Hamburg Congress, 1984) in the UPU system.

- 6.2 To assist in the evaluation of a decision to make a change to the APPU contribution class system, the Bureau proposes the following guidance comments.
- (i) The same eligibility rules should apply to any new APPU contribution class (i.e., reserved for countries which are recognised by the United Nations as Small Island Developing States (SIDS) with a population of under 200,000 (as per the latest statistical information published by the relevant office of the United Nations)).
 - (ii) The size of the new unit should be 0.5 (meaning that the APPU contribution class system would be units of 5, 3, 2, 1 and 0.5).
- 6.3 In terms of financial aspects to take into consideration, the material at Appendix 1 of this document sets out calculations based on the 2018 contribution unit of US\$2,650. In this work it will be noted that there are three countries who meet the criteria for the UPU 0.1-unit (Nauru, Samoa and Tonga). The key points from the calculations in Appendix 1 are as follows.
- (i) The total number of contribution units would reduce from 77 to 74.5 (Nauru decreases 0.5, Samoa decreases 0.5, Tonga decreases 1.5).
 - (ii) The contribution unit would increase from US\$2,650 to US\$2,739 (an increase of US\$89, or +3.4%).

7. Additional information

- 7.1 In undertaking research for the drafting of EC 2019 Doc 5.1, anomalies may have been found in the APPU classification of two of the members eligible for the UPU 0.1-unit contribution class.
- 7.2 The Finance Committee will be advised separately of the details for the members in question and asked for its opinion on how best to deal with the issue.

8. Finance Committee Consideration

The Finance Committee at the 2019 Tokyo EC meeting is requested to make an initial review of EC 2019 Doc 5.1 (and its Appendix) for the purpose of:

- (i) verifying the principles followed for the (possible) creation of a new 0.5 contribution class for the APPU administrative expenses;
- (ii) verifying the data and calculations in Appendix 1;
- (iii) providing the EC with an opinion on the creation of the new 0.5-unit contribution class; and
- (iv) commenting on how any confirmed anomalies in current APPU contribution unit classification might best be dealt with in the potential creation of a 0.5-unit class.

				EC 2019 Doc 5.1, Appendix 1	
Impact Assessment of New (0.5-unit) APPU Contribution Class (using 2018 data)					
1 contribution unit = US\$	2,650		1 contribution unit = US\$	2,739	
Country	Current Contribution Class	Cost (US\$)	Revised Contribution Class	Cost (US\$)	Change (US\$)
Afghanistan	1	2,650	1	2,739	89
Australia	5	13,250	5	13,695	445
Bangladesh	2	5,300	2	5,478	178
Bhutan	1	2,650	1	2,739	89
Brunei Darussalam	2	5,300	2	5,478	178
Cambodia	1	2,650	1	2,739	89
China	5	13,250	5	13,695	445
Fiji	2	5,300	2	5,478	178
India	5	13,250	5	13,695	445
Indonesia	3	7,950	3	8,217	267
Iran	3	7,950	3	8,217	267
Japan	5	13,250	5	13,695	445
Korea	5	13,250	5	13,695	445
Lao	1	2,650	1	2,739	89
Malaysia	2	5,300	2	5,478	178
Maldives	2	5,300	2	5,478	178
Mongolia	2	5,300	2	5,478	178
Myanmar	1	2,650	1	2,739	89
Nauru	1	2,650	0.5	1,369	- 1,281
Nepal	2	5,300	2	5,478	178
New Zealand	5	13,250	5	13,695	445
Pakistan	3	7,950	3	8,217	267
Papua New Guinea	2	5,300	2	5,478	178
Philippines	2	5,300	2	5,478	178
Samoa	1	2,650	0.5	1,369	- 1,281
Singapore	2	5,300	2	5,478	178
Solomon Islands	1	2,650	1	2,739	89
Sri Lanka	3	7,950	3	8,217	267
Thailand	2	5,300	2	5,478	178
Tonga	2	5,300	0.5	1,369	- 3,931
Vanuatu	1	2,650	1	2,739	89
Vietnam	2	5,300	2	5,478	178
Total	77	204,050	74.5	204,050	0