

EXECUTIVE COUNCIL 2024

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"> - the Union’s financial contributions system - the Bureau’s preliminary advice to the JSC of an appropriate income level for the Union via the member contributions system - the situation of arrears at the APPU and UPU - the outcomes of the JSC meeting on 18 July 	<p>§ 2.1-2.6.5 § 2.8.1 §3.1-3.5, 3.8-3.12.4 §2.7.4, 3.15</p>
<p>2. Decision expected</p> <p>The EC is asked to:</p> <ul style="list-style-type: none"> - note the information provided on the Union’s financial contributions system - note that while the conservative view of the Financial Database is one where it may not be sufficient to support mandatory contributions to the training section, there may still be potential benefits that could be further explored during the Review - note that the Bureau has given preliminary advice to the JSC of an appropriate income level for the Union via the member contributions system - note the information provided on the situation of arrears at the APPU and UPU - note the outcomes of the JSC meeting on 18 July - approve the resolution 	<p>§ 2.1-2.6.5 §§ 2.7.3, 2.7.4 (v), (vii) § 2.8.1 §3.1-3.5, 3.8-3.12.4 §2.7.4, 3.15 § Add 1</p>

1 Background

- 1.1 The Joint Sub-Committee (JSC) tasked with the full review of the financial contributions system has a work programme comprising two parts:
- (i) a review of the member contributions system for the expenditure of the Union; and
 - (ii) a review of arrears in member contributions.

1.2 Both parts originated at the 2022 Bangkok APPU Congress as set out below.

(i) Review of member contributions

This was detailed in Congress 2022 Doc 24.6 (“Full review of the APPU financial contributions system”).

The 2022 Congress approved a proposal regarding a review of the financial contributions system i.e., Recommendation C 6/2022.

(ii) Review of arrears

This was detailed in Congress 2022 Doc 24.7 Rev 1 (“Request from Nauru for the waiving of arrears in contributions to the APPU”).

The 2022 Congress approved a proposal regarding a review of arrears i.e., Resolution C 5/2022.

1.3 In terms of implementing Recommendation C 6/2022 and Resolution C 5/2022, the 2023 EC approved a resolution (i.e., Decision EC 03/2023 “Work programme on the full review of the financial contributions system”) that brought the two matters together under a single ad hoc body i.e., a Joint Sub-Committee 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 The approved work programme in Decision EC 03/2023 was dealt with by the JSC when it met on 18 July 2024. The matters for attention by the JSC for consideration of the 2024 EC were as follows.

(i) Review of member contributions

An analysis of data on the current apportionment of the Union’s income, and the identification of the most appropriate income level of the Union to maximise values and benefits brought to member countries.

(ii) Review of arrears

Identification and assessment of historical arrears in contributions by Nauru, and possible scenarios to address the issue of historical and future arrears, such as the development of a fair, equitable, and sustainable debt repayment or amortisation scheme.

- 1.5 Section 2 of this document covers the JSC’s review of members’ contributions as related to the Union’s income (reference paragraph 1.4 (i)). Section 3 of this document sets out the JSC’s consideration of the arrears issue (reference paragraph 1.4 (ii)).

2 Review of member contributions (as related to Union income)

2.1 Basis for a review of the member contributions system

- 2.1.1 The review of the member contribution system, set out in Congress 2022 Doc 24.6, was based on seven observations. These observations were commented on in detail in a separate document.¹ There were two key points (from the seven observations) that are included in this report.

- (i) Since the founding of the APPU in 1961, its member contributions system has been based on the UPU contributions system. The number of member contribution units in the UPU (e.g., 30) determines the number of APPU contribution units for that member (i.e., 5).² The UPU changed its contribution class system at its 2018 Addis Ababa Extraordinary Congress, and again at its 2021 Abidjan Congress. The changes broke the link between the APPU and UPU systems. Thus, it is necessary to review the APPU system to ensure any external reference point is current and properly established.
- (ii) There was a theme in the observations that suggested value from Union activities (i.e., training) might now be benefiting the region as a whole more than in the early days of APPU training. Accordingly, Congress 2022 Doc 24.6 and Decision 6/2022 drew attention to this possibility and that it could be a reason for the Union (i.e., the administrative section) to make a financial contribution to the training section.

- 2.1.2 Congress 2022 Doc 24.6 commented that there should be a preliminary step in the review that examined:

- (i) the apportionment of Union income and costs; and
- (ii) any trend where training benefit had moved from individual members to the region as a whole.

2.2 Approach to the Review

- 2.2.1 Given the direction provided in Congress 2022 Doc 24.6 (as set out in paragraph 2.1.2 above), the review of the APPU member contributions system had two Parts.

- 2.2.2 **Part 1: 2023 to 2024 EC meetings** where preparatory work is undertaken by the Reform Consultant to enable the JSC to:

- (i) understand the current distribution of Union income and the current allocation of costs to activities that:
 - a. mainly provide value to individual members; and
 - b. mainly benefit the region’s network operation, and

¹ Document JSC 4, made available to the JSC, commented on the seven observations (reference paragraph 3.1, Table 1).

² Details of the relationship between the UPU and APPU systems are set out in APPU General Regulations Article 116, paragraph 1).

- (ii) get agreement at the 2024 EC meeting on the most appropriate income level for the administrative expenses of the Union.
- 2.2.3 **Part 2: 2024 EC meeting onwards** where the JSC focuses on the changes necessary to the financial contributions system because of changes in the UPU contribution system, resolving operational issues and minimising future changes to the Acts of the Union. Preparatory work of a general nature
- 2.3.1 The JSC was provided with two background documents.
- (i) Document JSC 1: History of Financial Contributions

This document provided a concise summary of the APPU financial contributions system. It enabled all members of the JSC to have a common understanding of the background to the subject under review.
 - (ii) Document JSC 2: The Approach to the Review of Financial Contributions

This is a detailed explanation of the background and process from the 2022 Bangkok Congress through to the 2024 EC meeting.
- 2.4 Preparatory work of a specific nature
- 2.4.1 To enable the 2024 EC to provide guidance to the JSC for Part 2 of its work on financial contributions, preparatory work had to be undertaken to understand:
- (i) the apportionment of Union income and costs; and
 - (ii) any trend where training benefit had moved from individual members to the region as a whole.
- 2.4.2 A common requirement for both the 1) apportionment of Union income and costs and 2) establishing a trend in training benefit (from individual members to the region as a whole), is **good quality data that covered a period of time sufficient for a credible trend to be obtained.**
- 2.4.3 The Union did not have the data required in a ready-to-use state. Accordingly, data had to be developed and organised. This was achieved through the creation of a Financial Database (FD). Document JSC 3 (“The Financial Database”) describes how the FD is designed and where key data outputs can be located. Features of the FD are listed below.
- (i) 11,500 lines of data covering a 25-year period (1995-2019) – for the three Union budget areas (including details on over 11,000 participants attending around 570 training events)
 - (ii) Comprises three parts
 - a. statistical data (quantitative financial and personnel information)
 - b. proportional benefit data (qualitative assessment of each training event re benefit for individual members versus benefit for region), and
 - c. proportional trend data (a quantitative / qualitative output that represents any movement over time in benefit to individual members versus benefit to the region).

- 2.5 Summary of outcomes from Financial Database work – apportionment of Union income
- 2.5.1 Document JSC 4 (“Discussion of the Costs Covered by the Financial Contributions System”) informed the JSC of the conclusions drawn from the FD work in relation to the two reporting points for the 2024 EC meeting. For the first of these – apportionment of Union income and costs – the following summary material was provided.
- 2.5.2 The APPU undertakes a number of functions under the broad remit of extending, facilitating and improving postal relations between members. Details of activities can be found in the annual reports of the Bureau and other reports of the Executive Council and Congress.
- 2.5.3 The Bureau is divided into two sections: the administrative section and the training section. There is also a trial of an expanded consultancy section from January 2023 to December 24. These sections are funded in different ways. The administrative section is funded from mandatory contributions, the training section from voluntary contributions and on a user-pays basis, and the expanded consultancy section *was approved to be funded from the Special Activities Fund*, however to date it has been funded from project income and voluntary contributions.
- 2.5.4 The historic and current proportions for each of the above areas are set out in Tables 1 and 2 below.

Table 1: Proportions of Funding for the Three Budget Areas (1995-2019)

Budget Area	% of Total Funding
Administrative Section	12.16%
Training Section	76.90%
Consultancy Section	10.94%

Table 2: Proportions and Value of Current Funding for the Three Budget Areas (2023)

Budget Area	Current Funding (USD)	% of Total Funding
Administrative Section	209,350	21.84%
Training Section	668,500	69.76%
Consultancy Section	80,500	8.40%
	958,350	

- 2.5.5 The budget for the administrative section is detailed in the APPU treaties to not exceed 80,000 USD per annum (Article 117, General Regulations), however since 2009 the EC or Congress has approved an annual budget greater than this. In 2024, the administrative section budget is 209,350 USD. As outlined in Table 2 above, the total budget for the Union across its three areas is 958,350 USD. For context, the annual budget ceiling for the Pan-African Postal Union is 1.787m USD and for the Postal Union of the Americas, Spain and Portugal it is 1.6m USD.
- 2.5.6 The Union’s income is largely segregated i.e. there is no cross-subsidy between budget areas. Table 3 describes this observation.

Table 3: Historic Use of Funds in Budget Areas (1995-2019)

Line	Budget Area	Percentage of Budget Area Income Used in Budget Area	General Use of Funds During Period Surveyed
1	Administrative Section	100%	Administrative costs for services provided to all members.
2	Training Section	100%	Provision of training and other forms of knowledge-sharing / knowledge-building.
3	Consultancy Section	100%	The funding of RTCAP unit to support and assist members in the use of network technology resources (i.e., services that facilitate and modernise the exchange of mails between members with particular application to quality of service and accounting). ³

2.5.7 This discrete budgeting is reflected in the staffing arrangements for the Bureau as well. The staff of the Bureau are divided between sections on a proportional basis, recognising that historically the work of the administrative section has been focused on organising the annual meeting of the Union which did not require full time staff throughout the year.

2.6 Summary of outcomes from Financial Database work – benefit received from Union income (i.e., individual members v region as a whole)

2.6.1 The JSC was informed (through the FD and document JSC 4) that the methodology used to calculate the benefit was partly experimental. That said, the JSC was required to try and calculate this element to meet the request in Congress Recommendation C 6/2022.

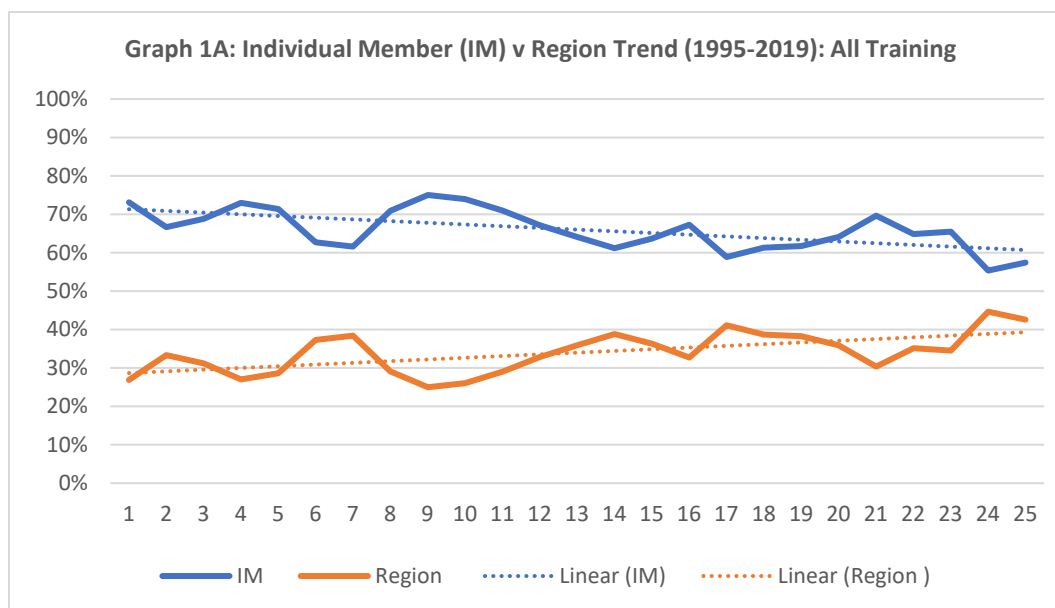
2.6.2 Table 4 shows the apportionment of Union income in each of the three budget areas according to benefit for an individual member (Column 3A) or the region as a whole (Column 3B).

Table 4: Historic Beneficiaries from Use of Funds (1995-2019)

Line	Budget Area	3	
		Apportionment of Funds where the Beneficiary is Individual Member v Region	
		3A	3B
		Individual Member	Region
		%	%
1	Administrative Section		100%
2	Training Section	66%	34%
3	Consultancy Section	25%	75%

³ Note: this is a description of SAF-funded activity up to 2019.

2.6.3 The information in Table 4 is the apportionment over a 25-year period i.e., the overall average benefit. Within this overall average, the FD produced a trend for the major budget area (i.e., training at an historic level of 76.90% of Union expenditure). The graph below identifies a growing trend for benefit to be occurring at the regional level (versus benefit for the individual member).



2.6.4 In detail, the graph can be interpreted as saying:

- (i) the trend in the 25-year period surveyed is individual member benefit declining from 73% to 57% (meaning that in 1995 the benefiting party was at individual member level for 73% of the funds used by the College, but this percentage of funds used by the College declined to 57% for individual members by 2019); and
- (ii) contrastingly, the percentage of funds used where the region as a whole benefited, increased from 27% of funds used in 1995 to 43% of funds used in 2019. This may reflect a number of factors, including supporting e-commerce delivery.

2.6.5 The JSC was informed that the trend of increasing benefit to the region is underpinned by the growth and orientation of workshops, special programmes, seminars, and miscellaneous events.

2.7 JSC consideration of preparatory work undertaken on the review of contributions

2.7.1 The JSC discussion on 18 July carefully reflected on the analysis of data on the current apportionment of the Union's income, and the most appropriate income level of the Union to maximise values and benefits brought to member countries. In this regard, the following points were agreed.

- (i) The apportionment of Union income to the three budget areas was clear.
- (ii) Income and expenditure within each of the three budget areas was tightly managed; there was largely no cross-subsidy occurring between budget areas.

- (iii) There was some evidence of a trend in Union expenditure where the region as a whole was receiving increased benefit from funds used in the training area.

2.7.2 Against the background of the preparatory work, the question for the JSC (i.e., the most appropriate income level of the Union to maximise values and benefits brought to member countries) was confirmed as asking what contribution should the Union make, if any, through the financial contributions system, to the training area. This assessment was based on:

- (i) the income level of the Union is the income funded by the member contributions system; and
- (ii) the measurable value and benefit is provided through training funds. (As far as value and benefit provided through SAF is concerned, there is no trend information available due to current activity only being in a start-up phase.)

2.7.3 The Reform Consultant made the following points regarding this question.

- (i) The conclusions drawn from the FD are not sufficient to support the Union (administrative section) making a mandatory contribution to the training section. The reasons are set out below.
 - a. The FD is a mix of qualitative and quantitative analysis. It takes on a very complex question (i.e., determining value to individual members versus value to the region as a whole), and applies an extremely thorough process. However, some of the assumptions used are untested. Members, potentially facing an increase in contributions, might expect a more established data calculation methodology. (Although there can be confidence in the process and the data, the scrutiny applied to any change in costs is known to cast doubt on even the most robust of calculation methods.)
 - b. The proposition that increased value to the region, as a whole (from training), cannot be automatically assumed as a reason for the Union to now make a mandated contribution to the training section. In any case, to go down such a path could introduce a whole new set of measures, indexing and monitoring, that might quickly become a management headache.
- (ii) Scope has existed since 1985 for the Union / administrative section to make a voluntary contribution to the training function. It has never been done. This could be relevant on two counts:
 - a. it might reflect a principle that the finances of the two sections (administrative and training) are best left as totally separate; and / or
 - b. material produced from the FD could be used to support a call for voluntary funding from individual members to the training section.

2.7.4 Following discussion, the JSC:

- (i) **noted** the work undertaken in Part 1 of the Review of Financial Contributions i.e.,
 - a. Document JSC 1 – History of Financial Contributions

- b. Document JSC 2 – The Approach to the Review of Financial Contributions
 - c. Document JSC 3 – The Financial Database
 - d. Document JSC 4 – Discussion of the Costs Covered by the Financial Contributions System,
- (ii) **noted** that there is no cross-subsidisation between the three budget areas of the Union (i.e., the administrative section, the training section, and the consultancy section (via the SAF);
 - (iii) **noted** that considerable work has been done to establish value and benefit to members from funded activities of the Union, particularly in the training section;
 - (iv) **noted** that there is a trend in training of increased value to the region resulting from the topics being studied (as opposed to topics solely benefiting an individual member);
 - (v) **noted** that while the conservative view of the Financial Database is one where it may not be sufficient to support mandatory contributions to the training section, there may still be potential benefits that could be further explored during the Review;
 - (vi) **noted** that while the link between the UPU and APPU contribution systems had been broken, it is desirable to recreate a connection which is flexible to changes in the UPU system and minimises future changes to the APPU Acts of the Union; and
 - (vii) **agreed to inform** the 2024 EC meeting that the work requested for completion (by the 2024 EC meeting) has been dealt with.

2.8 Most appropriate income level from financial contributions system

- 2.8.1 Based on there being no change to the costs funded through member contributions and with the current range of activities in place, the Bureau has advised a preliminary figure of between 10 to 20% greater than the existing budget of 209,350 USD (between 230,285 USD and 251,220 USD) for the administrative section would facilitate the ongoing basic functions of the Union in a sustainable way.
- 2.8.2 The activities of the Union have increased considerably in the current cycle, however the budget for the administrative section has remained at similar levels. The Bureau has managed this uptick in activity without a commensurate budget increase by imposing austerity measures, seeking voluntary contributions and accessing secondees from member countries. While this is a temporary solution, it does not provide the Bureau with financial certainty to undertake long-term programs or initiatives commensurate to the activities expected out of the Union in the current environment. More detail on Bureau activities can be found in EC 2024 Doc 20 and EC 2024 Doc 22.
- 2.8.3 Over the coming 12 months, the JSC will continue to liaise with the Bureau to confirm the appropriateness of this figure and commence development of options on a new contributions system.

3 Review of Arrears

- 3.1 As explored in detail in Congress 2022 Doc 24.7 Rev 1, arrears have not been a major problem for the APPU as they have for other international organisations. The only existing arrears in contribution have been incurred by Nauru and occurred recently (during 2013 to 2018). These arrears total 10,100 USD which represents just under 5% of the Union's budget for 2024 (209,350 USD).
- 3.2 Congress 2022 Doc 24.7 Rev 1 also provides further details in relation to Nauru's arrears specifically. Nauru has wider historical arrears than the APPU but has been a constructive member of the Union in terms of participation and financial contribution since 2019.
- 3.3 In comparison to the APPU, the UPU has a significantly larger problem with arrears. 34 UPU member countries of 192 were under sanction due to arrears or non-compliance with debt amortisation schedules⁴. This is after ten member countries accessed UPU pathways to set aside debts. Debts from members with long-standing arrears (defined as 5 years or older) total 5,616,168 CHF⁵, or around 14% of the 2023 38,890,030 CHF UPU budget. This does not include more recent debts and does not include the debts set aside in relation to the above-mentioned ten countries⁶.
- 3.4 There is no definite reason that the APPU has had minimal arrears in contribution, however, when compared to other organisations such as the UPU, the APPU has much smaller membership contribution fees. Reflecting the difficulties some members experience in paying membership contributions, in 2018 the UPU created the new 0.1 contribution unit class. This membership class applies to three APPU members at the UPU – Nauru, Samoa and Tonga. In the spirit of the UPU decision, at the 2022 APPU congress the membership approved proposal 04 Rev 1 to reduce the membership fees for these same members on an interim basis.
- 3.5 In addition to reducing membership fees to minimise the burden on smaller countries and reduce the chance of future arrears, the UPU also developed new pathways to set aside arrears and lift sanctions. Further details are in Congress 2022 Doc 24.7 Rev 1. Since these new pathways have been created, a number of APPU members have accessed them including Mongolia, Nauru and Tonga. Tuvalu, a UPU member eligible for APPU membership, has also benefitted.
- 3.6 Against this backdrop, the APPU has a number of considerations regarding arrears:
- (i) How should the APPU manage arrears, both existing and in the future?
 - (ii) Should the APPU implement a similar arrangement to the UPU pathways to set aside arrears and lift sanctions?

A related question is whether the APPU should follow the UPU's lead in having a reduced contribution class for small members. This will be considered at a later stage in the review.

⁴ As at 4 March 2024.

⁵ As at 4 April 2024.

⁶ Which totaled 9,179,194.59 CHF at 4 April 2024.

How should the APPU manage arrears, both existing and in the future?

- 3.7 The APPU has one key provision relating to arrears in its treaties which involves the application of interest to overdue contributions. Article 117 Budget and accounts of the Union, paragraph 6 of the APPU General Regulations prescribes:

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.

In practice, the Bureau has not charged interest in line with these provisions.

- 3.8 The UPU has a number of key features to how it manages arrears which are outlined in the General Regulations. These are:

(i) Article 147 Regulation of member countries' contributions:

- a. arrears will be charged interest at 5% per annum following the fourth month from non-payment
- b. members may assign credits owed to it from other member countries to the UPU
- c. members may sign an amortisation schedule
- d. there is a timeframe of ten years to repay arrears, however the Congress or the Council of Administration may extend this in exceptional circumstances
- e. in exceptional circumstances the interest applied to debts may be forgiven if the entire debt has been paid

(ii) Article 150 Automatic sanctions:

in certain circumstances a member will lose their right to vote and be a member of the UPU Councils

These features are summarised as interest and interest forgiveness, credits, amortisation schedules and timeframes to repay, and sanctions, and considered in the APPU context below.

3.9 Interest and interest forgiveness

- 3.9.1 Both the UPU and the APPU have provisions to apply interest, albeit at different rates. This is a common practice for organisations and likely an appropriate measure to retain. The application and rate of interest at the APPU are currently unclear, due to not stating when interest starts accruing, whether there is discretion to not apply interest and having two different interest rates (3% per annum for the first 6 months and 6% per annum thereafter). For simplicity, the treaties could be updated to reflect a single rate of interest of 3% per annum.
- 3.9.2 The APPU does not have the facility to forgive interest applied to debts in any circumstances. The Bureau has not applied interest to the existing arrears so currently there is no need for this type of provision. If the treaties are reflected to update that there is discretion as to whether interest is applied, as is the current practice, and the possibility remains that interest could be applied, then there would be a need for a provision covering debt forgiveness.

Credits

- 3.9.3 While credits can be transferred at the UPU, this would not be possible at the APPU and cannot form part of a future arrears' management approach. The APPU works on the principle of member solidarity so members may volunteer other means of assistance to members in arrears if they so choose.

3.10 Amortisation schedules and timeframes to repay

- 3.10.1 Amortisation schedules at the UPU are debt repayment plans which allow the member to make scheduled repayments to reduce their arrears and not incur sanctions.
- 3.10.2 While arrears have minimal impact at the APPU, it could be beneficial to allow for debt repayment schedules to manage potential future scenarios. This would respect the difficulties some member countries face from time to time in paying their fees, whilst also providing an avenue to ensure arrears can be paid in a manageable fashion. For the avoidance of doubt, this would not require the inclusion of sanctions as a feature of the APPU's arrears management approach.
- 3.10.3 With regard to timeframes, the UPU arrangements of ten-year schedules with the possibility of extension appear suitable in an APPU context.

3.11 Sanctions

- 3.11.1 The application of sanctions at the UPU is the key negative consequence on members in arrears to encourage membership contributions payment. There are two impacts of sanctions: 1. being unable to vote at UPU Congress and Council meetings, and 2. losing eligibility to be a member of UPU Councils.
- 3.11.2 Impact 1 could be implemented at the APPU, however it is unlikely to be as strong of a motivator as it is at the UPU, given decisions of the APPU Congress are unlikely to have such wide-ranging impacts.
- 3.11.3 Impact 2 could not be implemented at the APPU as all members are members of the Executive Council. It is also an undesirable outcome, given the benefits that all APPU member derive from attending the meetings of the Executive Council.

3.11.4 Given the minimal impact and undesirable outcomes of sanctions being implemented at the APPU, it is unlikely they would be an appropriate aspect of the APPU's arrears management.

Should the APPU implement a similar arrangement to the UPU pathways to set aside arrears and lift sanctions?

3.12 In addition to the above provisions the UPU also has arrangements to remove sanctions and set aside debts. These are:

- (i) Article 147 Regulation of member countries' contributions:
 - a. in exceptional circumstances the Congress or the Council of Administration may set aside debts if the country has either:
 - i. paid half its arrears
 - ii. paid its last five years' contributions
 - b. if a member is a Small Island Developing State with a population less than 200,000 or a least developed country that has had its debts set aside then at least 50% of the amount paid will be earmarked for postal technical assistance projects that will benefit the member
 - c. debts set aside are not cancelled or forgiven but have no practical effect on the member

3.12.1 Congress 2022 Doc 24.7 Rev 1 recommends that UPU arrangements be used as strong guidance for any APPU action in relation to managing historical arrears, however as noted in this paper, the impacts on a member country of arrears at the UPU and the APPU is not comparable. Setting aside debts at the UPU has the potential benefits of no longer having interest applied to the debt, no longer requiring debt amortisation repayments and lifting of sanctions, while setting aside debts at the APPU would only confirm the member country does not intend to pay its arrears at any stage.

3.12.2 Considering the above information on sanctions, and that the Bureau has yet to apply interest to any arrears, there appears to be no need to introduce provisions to set aside debts at the APPU.

Conclusion

3.13 Arrears at the APPU are uncommon and have no practical impact on member country participations. The only arrears are relatively recent and accrued by one member country, Nauru. These arrears have no practical impact on Nauru: they do not impact the ability of Nauru to fully participate in the activities of the APPU, given there are no sanctions, and no interest is being applied. Nauru also now benefits from reduced membership contributions as discussed in paragraph 3.4. Arrears do impact the APPU, in reducing the Union's budget and therefore its ability to support our region's postal sector.

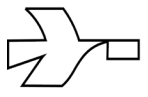
3.14 Following discussion, the JSC:

- (i) **noted** the information provided on arrears at the APPU, including Nauru's historical arrears;
- (ii) **noted** the UPU's wider arrears problem and associated arrears management provisions;

- (iii) **noted** that the APPU is founded in the spirit of solidarity and supporting members who may have difficulties from time to time in paying membership contributions;
- (iv) **noted** there could be merit in a future arrears management scheme for the APPU which includes the following features:
 - a. the application of interest on a discretionary basis and within clearly defined parameters; and
 - b. allow for amortisation schedules with certain time limits that could be varied by the Executive Council;
- (v) **noted** it appears inappropriate in an APPU context to introduce provisions that:
 - a. facilitate the transfer of credits;
 - b. apply sanctions; or
 - c. facilitate the lifting of sanctions or release from debt amortisation schedules; and
- (vi) **agreed to inform** the 2024 EC meeting that the work requested for completion (by the 2024 EC meeting) has been dealt with.

4 Next steps (plan to the 2025 EC, decisions required)

- 4.1 In EC 2023 Doc 18 Add 1, the Joint Sub-Committee on the full review of the financial contributions system is required to deliver by the 2025 EC:
 - (i) identify a sustainable, fair and equitable contribution class system of the Union, with regard to the contribution system for the Universal Postal Union and member countries' level of development, by referring, if required, to contribution systems for restricted unions governed by Article 8 of the Constitution of the Universal Postal Union, and
 - (ii) to propose a resolution on the issue of historical arrears in contributions by Nauru and an approach, if required, to manage any future instances of arrears.
- 4.2 To facilitate achieving these milestones the Joint Sub-Committee proposes the Executive Council take a number of decisions. These are outlined at Add 1 (Resolution 01).



EXECUTIVE COUNCIL

Resolution of a general nature

01

JOINT SUB-COMMITTEE ON THE FULL REVIEW OF THE FINANCIAL CONTRIBUTIONS SYSTEM

Resolution

Work programme on the full review of the financial contributions system

The Executive Council,

reaffirming the necessity of a sustainable financial contributions system for the Asian-Pacific Postal Union (the Union),

also reaffirming the fundamental principle of member solidarity,

recalling the decisions taken in Congress 2022 Doc 24.5 Rev 1, Congress 2022 Doc 24.6 Appendix 1 and Congress 2022 Doc 24.7 Rev 1,

also recalling the decisions taken in EC 2023 Doc 18 Add 1,

recognising that the Union's training function has benefitted the Union and the Asia-Pacific region as a whole,

noting that the Union does not have any provisions to deal with the waiving of, reduction in the payment for, or release from arrears in contributions,

also recognising that the arrears situation of the Union is not comparable to the Universal Postal Union,

further recognising that arrears do not pose a barrier to participation in the activities of the Union in the same manner as other international organisations, including the Universal Postal Union,

reaffirming the commitment of members to minimise the need to further amend the Acts of the Union following the conclusion of the full review and the adoption of recommended solutions, wherever possible,

decides that:

- (i) the joint sub-committee will develop a proposal for a sustainable, fair and equitable contribution class system of the Union, and
- (ii) the proposal will be presented to the 2025 Executive Council meeting for approval to be submitted to the 2026 Congress for decision,

further decides that:

- (iii) the joint sub-committee 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
- (iv) the proposal will be presented to the 2025 Executive Council meeting for approval to be submitted to the 2026 Congress for decision.

Reasons – see EC 2024 Doc 17