Agenda Item 16: UPU CA Matters Working Group

Sub-item 16.1 – Report of the UPU CA Matters Working Group Meeting

Presentation by Pakistan

1. Subject	**References/paragraphs**
Informing EC members on: - the discussions and comment in the UPU CA Matters Working Group Meeting	§§ 1.1 – 3.4.3
2. Decisions expected The EC is asked to:	
- **note** the update on the work of the Regional Focal Points (China and Indonesia) on the work of the Task Force on the UPU Contributions system, as presented by China and Switzerland	§2
- **note** the agreement / approval of the Working Group on the proposed Region IV approach, as presented by China	§2
- **note** the presentation on the current work of the UPU CA Task Force on the stabilisation and sustainability of the UPU Provident Scheme (Pension Fund).	§3
note that presentation on Disaster Risk Management (DRM) delivered by the UPU International Bureau.	§4
- **note** the presentation on Typhoon disaster response, presented by Japan.	§5

1. Introduction

1.1 The UPU CA Matters Working Group met on Tuesday, 26 June 2018.

1.2 Its agenda covered the following matters.

1. The UPU Contributions system, led by China, supported by Indonesia and Switzerland (Mr. Emmauel Jud – technical expert) – taken in three sessions.

2. An update on the current status of the CA Task Force on the stabilisation and sustainability of the UPU Provident Scheme

3. A comprehensive presentation on Disaster Risk Management Activities, led by the UPU International Bureau.

4. Typhoon disaster response, presented by Japan.

2. Discussions – UPU Contributions system

2.1 China to provide

(i) On 26th June 2018, the session on the UPU contribution system reform took place during the APPU EC. Malaysia, China and Mr. Emmanuel Jud as the subject-matter expert made presentations respectively. Malaysia explained the up-to-date progress in Committee 1 on this important topic. China walked through the region IV proposal by illustrating the key questions asked by member countries during the consultation process. Mr. Emmanuel Jud elaborated on the contribution system reform from a global view through solid analysis. Singapore, Indonesia and Vanuatu made comments, which have been taken note. Due to the time limit, the meeting decided to hold another session for debates on the regional position on the morning of 28th June 2018.

(ii) On 28th June 2018, China presented the summary of discussions on the UPU contribution system reform in region IV, the advisory letter on the way forward and the funding model of region IV with reservations made by Indonesia and Singapore. Through discussions, the APPU member countries have reached the following conclusions:

a. Supporting the regional advisory letter on the way forward of the UPU contributions system reform.
b. Agreeing that the focal points of Region IV negotiate towards a consensus-driven single proposal mainly based on the Funding Model of Region IV with the reservations made in the Taskforce of the UPU contribution system reform.
c. Lowering the floor for LDCs to 0.1 unit in order to make it more affordable for LDCs to be able to contribute to the Union.

3. Discussions – UPU Provident Scheme

(iii) The CA was instructed by the Istanbul Congress (C31/2016) to conduct a study on how to ensure the stability and sustainability of the UPU Provident Scheme. This includes examining potential reform options to reduce the ongoing future scheme costs, and had a broad mandate to consider a variety of recapitalisation options.

(iv) The scheme is undercapitalised and is unable to fully answer its full financial obligations if there was a call on funds. Indeed, it is only required to maintain 85% coverage, but at this point is only capable of answering 81.5% of its funding obligations. The auditors are calling for a capital injection corresponding to

CHF18,483 per contribution unit over a three-year period. Or CHF6,200 per contribution unit per year for three years.

(v) Shortfalls of a technical nature are not new, and have been funded from the regular budget of the Union (as agreed in C9/1964). However, the UPU's funding situation os such that it cannot now meet the technical funding oblidations.

(vi) A recovery measure has been proposed to authorise the UPU DG to use Treasury funds if available to meet the funding guarantees. Also, it proposed to reduce the And, it is proposed to commence negotiations with the UN Joint Staff Pension Fund. Finally, it is also proposed that any savings from the UPU IB salary reductions are applied to the Provident Scheme to help ease the funding shortfall.

(vii) The next steps are to become fully conversant with the Congress Document and supporting proposal which will be published in the coming weeks on the UPU website (http://www.upu.int/en/resources/documentation-centre/congress-documents.html)

4 Discussion – Disaster Risk Management

(i) UPU the IB reported its recent activities in the field of disaster risk management and emphasised the importance of disaster preparedness. The IB also introduced newly developed technical assistance funded by the government of Japan and encouraged all member countries to prepare drafting proposals.

5 Discussion – Typohoon disaster response

(i) Japan to provide

Japan Post reported its recent activities in the response to Typohoon disaster. With detailed explanations, it introduced its experiences and best practices in drills, disaster management and capacity restoration.

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Disaster risk management Activities
26 June 2018

Danan, Vietnam

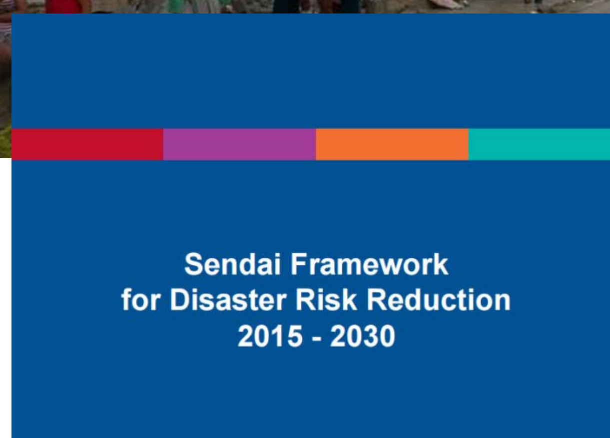
UPU UNIVERSAL POSTAL UNION

Natural Disasters are a global concern

Natural Disasters are a global concern

From 2005 to 2014*

- Over 1.7 billion people affected
- Over 1.4 trillion USD economic loss



** - World Conference on Disaster Risk Reduction: WCDRR*

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UPU

2017-2018 Events

Tropical Cyclones:
Doksuri (Maring), Franklin, Gita, Harvey, Hato (Isang), Irma, Jova, Katia, Kenneth, Khanun, Lidia, Macao, Maria, Mawar, Max, Nate, Ophelia, Pakhar (Jolina), Talim (Lannie)

Flooding: Argentina, Bangladesh , Cameroon, Central African Republic, Ethiopia, India, Nepal, Nigeria, Pakistan, Rwanda, Sierra Leone, Togo

Wild Fires: Canada, Greenland, Southern Europe, Brazil, North Africa, Russian Federation, Tunisia

Drought : South Africa

Earthquakes: Mexico, Guatemala, Japan

Volcanos: Indonesia, Papua New Guinea, Philippines, Vanuatu, Guatemala

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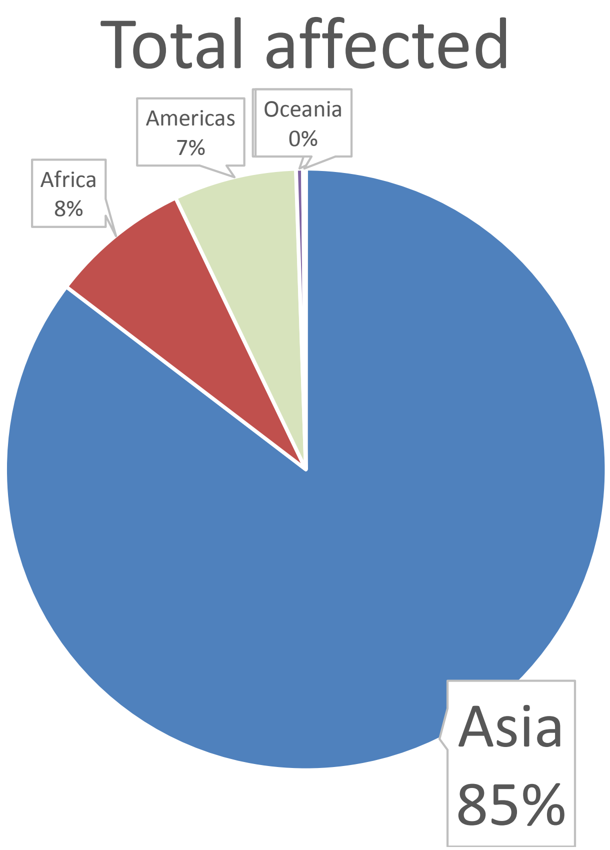
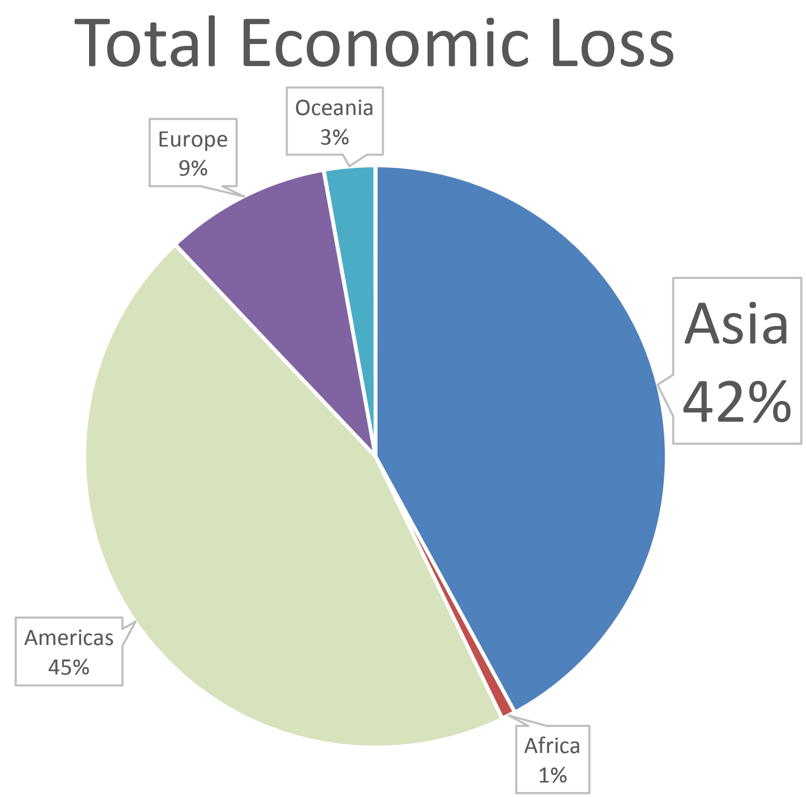
Natural disasters and Asian countries

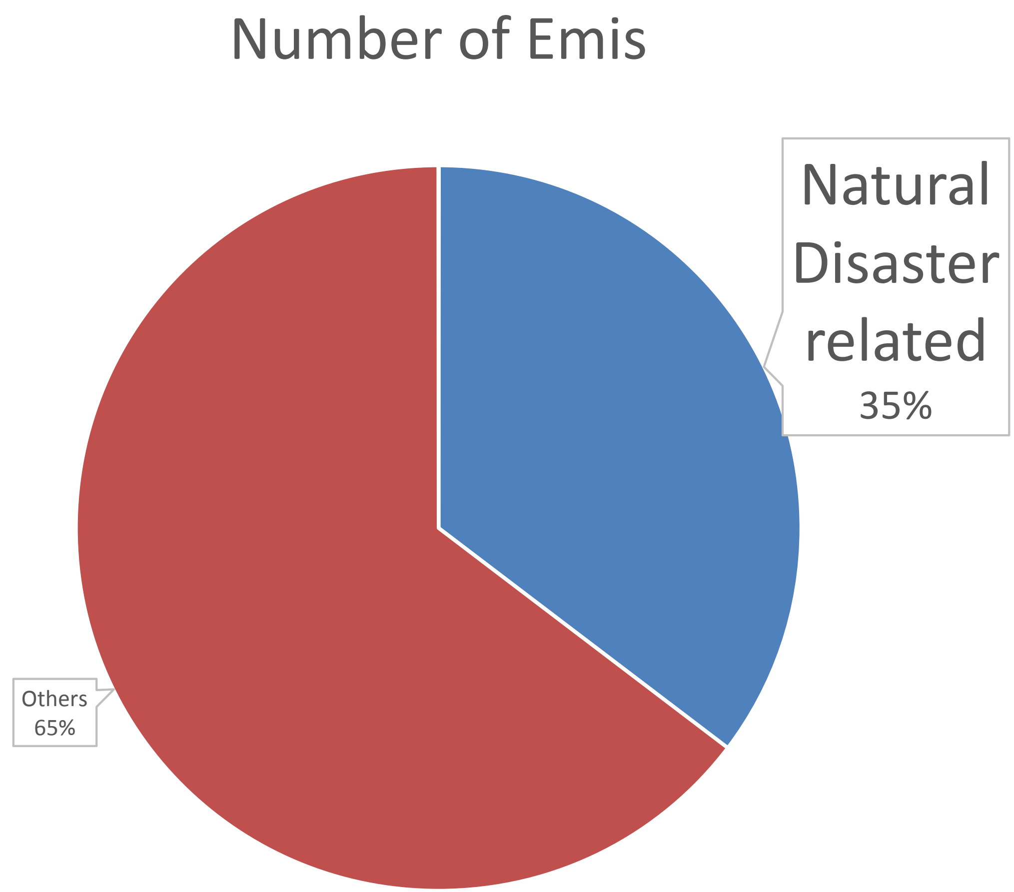
2000-2018 from EM-DAT





Natural Disasters in Postal sector

from EmIS data



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Negative impact to services

Service disruptions last long…

from EmIS data

2017		
	Thailand, Flooding	93 days return to normal
	USA, Wildfire	44 days
	Dominica, Hurricane	35 days
	Costa Rica, Hurricane	34 days
2018		
	New Zealand, Cyclone	30 days

Preparedness is the Best Investment

“One dollar invested in disaster preparedness can prevent seven dollars’ worth of disaster-related economic losses – a considerable return on investment“

World Meteorological Organization

“Investing in disaster risk reduction for resilience”

Priorities for Action No.3
Sendai Framework for Disaster Risk Reduction 2015-2030
United Nations Office for Disaster Risk Reduction

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New Technical Assistance for Preparedness funded by Japan

- Purpose : Building disaster-resilient postal services
- Provide 10,000 CHF - 50,000 CHF support for Developing countries
- Eligible projects : (a) DRM Planning, (b) DRM Training and (c) Procurement of Equipment
- Funding resources : Voluntary contribution from Japan
- Selectees will be announced soon
- Next invitation letter will be sent in July and the application deadline will be end of September

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Emergency and Solidarity Fund (ESF) activities

Established in 2013, ESF is the important means of providing immediate support to member countries affected by natural disasters and/or special situations.

Menu of support

- Procurement of Equipment (vehicles, mailboxes, generators etc)
- Reconstruction of Postal facilities

Recent activities

Central Africa, Ecuador, Nepal, Siera Leone etc.

DRM Guide

http://www.upu.int/en/activities/disaster-risk-management-in-the-postal-sector/key-documents.html

Asian-Pacific Postal Union
Executive Council Meeting
Danang, Vietnam
25 – 29 June 2018

EC 2018 Doc 16 Add 2

General Outcome of Discussions on Region IV Proposal

Presentation by China, Focal Point of Region IV

June 26th , 2018

PART

01

Background

PART

02

Regional Proposal

Background

CA S3
- Focal points

April 27
- 1st meeting of Region IV in Bern

May 4th
- 1st round of consultation

May 15th
- 2nd round of consultation

June 12th
- TF teleconference

June 26th
- APPU EC

2-6 July
- TF physical meeting

Mandate:

Approved by the CA plenary of CA S3 2018, two focal points per region, selected from CA member countries, shall be designated to participate in the work of the task force by 27 April 2018, with view to coordinating final refinements to the funding model to be submitted to the Extraordinary Congress.

Working Methodology

The Funding Model

- Consensus-building approach
- A compromise involving a range of elements from the five regional inputs received
- For the worst scenario:
  1. Contingency plan to stabilize the funding of the UPU
  2. A proposal composed by agreed-upon principles and a road map from 2018-2020

Goal: Seek a feasible and reasonable solution by closing more gaps and generating more convergences!

Working Methodology

The Funding Model

- Principles
- Criteria proposed
- Composite index
- Caps and floors
- Other measures
- Reservations
- Analysis

Fundamental principles: C29/2016

In order to meet the Union's needs with regard to its long-term financial sustainability, the prevailing practice adopted within the United Nations (U.N.) system, mainly based on assessed contributions based on the relative capacity of each member country to pay (gross national income, while taking into account other elements such as external debt and development levels), should be used as a basis for any future Congress proposals.

More Principles: CA C 1 2018.1–Doc 2

- Enable sustainable funding of the Union in the long term;
- Introduce a mandatory component based on fair and transparent criteria;
- In line with the best practices of the United Nations, provide for funding caps and floors correlated to the economic capacity of member countries, including adjustments to provide protection for countries with low income per capita and debt-burdened economies;
- Provide for a transition period across three Congress cycles;
- Encourage sovereign decisions on improvement of financial support for the organization, as well as protecting against inefficient use of the system against the best interests of the Union;
- Implement funding floors (protection of lowest-paying range), funding caps (protection of highest paying range) as well as a mandatory component which replaces the principle of solidarity (protection of middle paying range).

Criteria proposed

- Criteria should be fair, verifiable, comparable, commonly used in the U.N. system and easy to obtain.
- GDP is accepted as the main factor in the model. More criteria should be considered in order to objectively reflect the different development level of nations.
- The future model will be a hybrid model:
  - ✓ The fair minimum resulting from the model is a voluntary target.
  - ✓ In every cycle (4 years), the Union will publish the fair minimum and actual payment of every country with view to encouraging it to reach its target. A country can make its sovereign choice of how long it wants to reach the target in accordance with its realities.
  - ✓ Caps are voluntary because countries can contribute voluntarily beyond the proposed amount. Floors are mandatory so that no country shall reduce its contributions below the set floors.
  - ✓ Regular range
  - ✓ Differentiate caps and floors between ICs and DCs.
  - ✓ Apply a cycle-to-cycle gradual evolution with a grace period between 2020 and 2022 when the current voluntary funding model still applies.
  - ✓ In the spirit of solidarity, strongly invite member countries to keep their current levels of contribution.
  - ✓ Each country going through an economic crisis or going through a period of conflict may request the reduction of 5 units of contribution at maximum.

Regular range

- In every cycle of Congress, a country, whose fair minimum is above its contribution level of the previous cycle, must increase its contributions;
- In every cycle of Congress, a country whose fair minimum is below its contribution level of the previous cycle can choose to maintain the same level or decrease its contributions. But if the fair minimum ≤ (1-20%) * the contribution level of the previous cycle, the country can decrease by a maximum of 20% and cannot reduce its contributions by more than 20% in every cycle.

For example:

- If country A's fair minimum (15,000 CHF) is 50% higher than its 2017 contribution (10,000 CHF), it must increase, but in every cycle, for instance 2020-2024, it can choose to increase by 10%, in 2025-2028, by 15%, and so on.
- If country B's fair minimum (3,000 CHF) is 70% lower than its 2017 contribution (10,000 CHF), it can decrease, but in every cycle, for instance 2020-2024, it can decrease by a maximum 20%, but cannot choose to decrease by 30% for example, and so on.

Mandatory components of the hybrid model

- Mandatory floors

- Regular range:
  - ✓ Mandatory requirements for those who increase: In every cycle of Congress, a country, whose fair minimum is above its contribution level of the previous cycle, must increase its contributions;
  - ✓ Mandatory requirements for those who decrease: a maximum reduction of 20% in every cycle before it reaches its fair minimum.

Composite index

GDP (90%), per capita GDP (10%)

Caps and floors

- Caps: 50 units for ICs (6% of the total budget), 40 units for DCs (4.8% of the total budget)
- Floors: 2 units for ICs, 1 units for DCs and 0.5 units for LDCs

Other measures

- Contingency plan in case that the future model were not approved in the Extraordinary Congress: replace the current 13 contribution classes with 51 new contribution classes, from 1 to 50 plus the 0.5 class for least developed countries.
- Consider how non-payments of mandatory contributions by member countries will be addressed.
- Review the operations and efficiency of the Union.
- It is necessary to understand the implications of any decision to change the budget ceiling from fixed back to floating – and ensure that any decision to do so is within the mandate of this exercise and is taken with full knowledge by members.

Reservations

1. Japan supports to reduce the floor for LDCs to 0.1 units, because 0.5 units are too high for LDCs.

2. Singapore has reservations on revisions which may result in any change to the UPU Constitution. As a result, it has proposed adjusting and tiering the value of each contribution unit to meet the budgetary needs of the Union. Singapore has also proposed that the contribution methodology should be broadened to take into consideration and be reflective of each Member Country's utilisation of the postal system instead of solely focusing or overemphasising on economic capacity of Member Countries, if the current model is to be revised. Lastly, Singapore has proposed for the GDP per capita be removed the contribution methodology, since GDP is already included as a contribution consideration and GDP per capita does not serve to reflect a contribution methodology that is meant for the postal sector.

Reservations

3. Indonesia proposes a funding model based on the U.N. scale. It believes that the UN Scale of Assessment is a generally accepted scale which incorporates various variables. Member countries' contributions will be adjusted every three years, in accordance with the launching of the UN Scale of Assessment. The main principles include:
   - Floors and caps are automatically no longer applicable, due to consideration of each country's Scale of Assessment percentage; thus, producing fair contribution units for each country.
   - The fair contribution resulting from the simulation is a mandatory contribution for all member countries.

4. New Zealand has two reservations:
   - As a transition period over three Congress cycles is a practical and pragmatic approach to delivering change, the 2020 – 2022 grace period introduces delay to what is already a matter of growing urgency.
   - New Zealand suggests the use of a Composite index (GDP & per capita GDP) and the proposed ratios still open to further analysis and discussion to ensure a common understanding across the region as to the underlying rationale and mathematics underpinning the proposal.

Comparison of the implications of three models

<table>
<tr><th></th><th>Model 1</th><th>Model 2</th><th>Model 3</th></tr>
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<tr><td><0</td><td>35</td><td>166</td></tr>
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Comparison of the pros and cons of the three models

Model	Pros and cons
Model 1: Hybrid model with differentiated caps and floors	• Pros: balanced, flexible • Cons: floating contribution unit value
Model 2: Mandatory model based on the UN scale	• Pros: fixed value of contribution units • Cons: higher concentration risks, imbalanced, less flexible
Model 3: Voluntary model with tiered value of contribution units	• Pros: lower concentration risks • Cons: increased value of contribution units; poor countries to pay more

Discussions

What can be converged ?

Q & A

Cảm ơn bạn

T H A N K S