



ASIAN-PACIFIC
POSTAL
UNION

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**Report of the Joint Sub-Committee of the Finance Committee
and the Reform Working Group**

Friday 16 August

Presentation by the Co-Chairs, Australia and Japan

**Executive Council Meeting
Siem Reap, Cambodia
12 - 16 August 2024**



Introduction

- At the 2023 EC, a resolution (Decision EC 03/2023 “Work programme on the full review of the financial contributions system”) was approved to create a single ad hoc body, the Joint Sub-Committee (JSC) for the period between the 2023 EC and the 2026 Congress.
- At the 2023 EC, it was agreed that the JSC would be co-chaired by the Chair of the Finance Committee (Japan) and the Chair of the APPU/UPU Reform Working Group (Australia) and assisted by the Reform Consultant.
- The JSC comprises of Afghanistan, Australia, China, India, Japan, New Zealand, Pakistan and Thailand.



Tasking

- The JSC was tasked with the full review of the financial contributions system.
- The JSC has a work programme comprising of 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.
- EC 2024 Doc 17 includes the background of the JSC and its tasking, including further detail on the two tasks and the findings of the initial review.
- It also includes information on the preparatory work that was undertaken ahead of the 2024 EC and the next steps for the JSC.



Work plan

- The draft program in 2023 EC Doc 18 noted that the 2024 EC would receive information that:
 - Identifies the most appropriate income level to maximise values and benefits for members,
 - Outlines the current apportionment of income, and
 - Identifies and assesses historical arrears in contributions by Nauru and possible scenarios to address the issue.
- The 2025 EC would then be in a position to:
 - Identify a sustainable, fair and equitable contribution class system for the Union, and
 - Propose a resolution for the issue of the historical arrears in contributions by Nauru, as well as an approach to manage any future instances of arrears.
- The 2026 Congress would receive proposals that deliver an optimised financial contributions system.



Review of member contributions

- The review of member contributions was set out in Congress 2022 Doc 24.6 and was based on seven separate issues.
- Two key points from these observations include:
 - Reviewing the APPU contribution units following changes to the UPU contribution system that the APPU was mirrored from, and
 - Acknowledging the broader value of the APPU to the region and potential reasoning for the administrative section to make a financial contribution to the training section.
- The review involves an analysis of data on the current apportionment of the Union's income and identification of the most appropriate income level of the Union to maximise values and benefits brought to member countries.



Review of member contributions

- Congress 2022 Doc 24.6 commented that there should be a preliminary step in the review that examined:
 - The apportionment of Union income and costs, and
 - Any trend where training benefit had moved from individual members to the region as a whole.
- The JSC was provided with several background documents:
 - JSC 1: History of Financial Contributions
 - JSC 2: The Approach to the Review of Financial Contributions
 - JSC 3: The Financial Database
 - JSC 4: Discussion of the Costs Covered by the Financial Contributions System



Review of member contributions

Apportionment of funds

- Historically, funding has been
 - 12% from membership contributions to manage the Union (the administrative section)
 - 77% from users of training and voluntary contributions to fund the training activities
 - 11% from voluntary contributions for the Special Activities Fund
- No cross-subsidy between budget areas
 - Each of the three budgets is used solely in its designated area.



Review of member contributions

Historic Beneficiaries from Use of Funds (1995-2019)

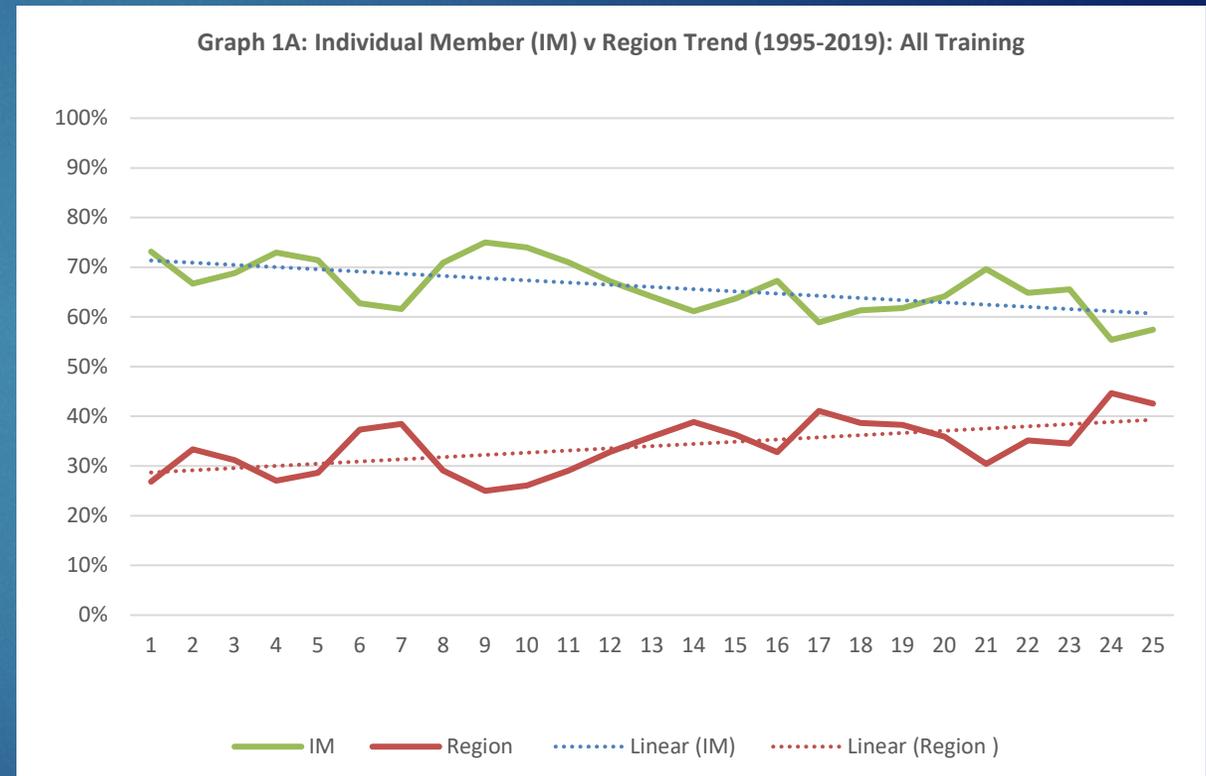
| 1 | 2 | 3 | |
|------|----------------------|--|--------------|
| Line | Budget Area | Apportionment of Funds where the Beneficiary is Individual Member v Region | |
| | | 3A Individual Member | 3B Region |
| | | % | % |
| 1 | APPU Membership Fees | | 100% |
| 2 | Training | 66% | 34% |
| 3 | SAF | 25% | 75% |



Review of member contributions

Trend - benefit from funds used for training for:

- region, as a whole, has increased from 27% in 1995 to 43% in 2019; and
- individual members has decreased from 73% in 1995 to 57% in 2019.





Review of member contributions

- There is no cross-subsidisation between the three budget areas of the Union.
- Considerable work has been done to establish value and benefit to members, particularly in the training area.
- There is a trend of increased value to the region from funds used in the training area (as opposed to value at individual member level).
- The conservative view is that a case cannot be made for mandatory member contributions to the training section.



Review of arrears

- The review of arrears was set out in Congress 2022 Doc 24.7.
- The review involves 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.



Review of arrears

- The review indicated that arrears at the APPU are uncommon. The only recent accrual of areas is by Nauru, with no practical impact on member participation at the APPU. These arrears total 10,100 USD which represents just under 5% of the Union's budget for 2024 (209,350 USD).
- This is different from the UPU, where many more members have very large arrears. 34 UPU member countries are under sanction due to arrears or non-compliance with debt amortisation schedules. Debts from members with long-standing arrears (defined as 5 years or older) total 5,616,168 CHF, or around 14% of the 2023 38,890,030 CHF UPU budget.
- Arrears at the UPU also impact members through sanctions which limit their participation.
- Arrears have an impact on the APPU, reducing the APPU's budget and consequential activities.



Review of arrears

- The UPU and the APPU only have the application of interest as a common feature.
- It may be beneficial to create the ability for interest to be forgiven at the APPU in exceptional circumstances, similar to the UPU, in the spirit of inclusivity.
- There is no ability to include credit transfers at the APPU.
- It could be beneficial to allow for debt repayment schedules to manage potential future scenarios.
- The UPU arrangements of ten-year schedules with the possibility of extension appear suitable in an APPU context.



JSC – next steps

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.

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).



JSC - decisions

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.



**Do members have any feedback or
comments on the draft report?**