|  |  |
| --- | --- |
| **Council 2018 Geneva, 17-27 April 2018** |  |
|  |  |
|  |  |
| **Agenda item: ADM 1** | **Document C18/11-E** |
| **4 April 2018** |
| **Original: English** |
| Report by the Secretary-General | |
| ARREARS AND SPECIAL ARREARS ACCOUNTS | |

|  |
| --- |
| Summary  The Plenipotentiary Conference (Busan, 2014) instructed the Secretary-General to report annually to the Council on the measures taken and progress made towards collection of the debts of Member States, Sector Members and Associates in arrears or having special arrears accounts, and on all cases of non-compliance with the agreed terms of settlement. Previously, the Council, at its 1999 session, had laid down guidelines for repayment schedules for the settlement of arrears and special arrears accounts.  Action required  The Council is requested:  1) to **take note** of this document;  2) to **authorize** the Secretary-General to write off **CHF 7 218 778.05** of interest on arrears and irrecoverable debts;  3) to **adopt** the draft decision attached in Annex B.  \_\_\_\_\_\_\_\_\_\_\_\_  References  [*CS 169*](http://www.itu.int/pub/S-CONF-PLEN-2015), [*CV 474*](http://www.itu.int/pub/S-CONF-PLEN-2015),[*Resolutions 41 (Rev. Busan, 2014) and 152 (Rev. Busan, 2014)*](http://www.itu.int/pub/S-CONF-PLEN-2015)[*C99/27*](http://www.itu.int/itudoc/gs/council/c99/docs/docs1/027.html), [*C14/26*](http://www.itu.int/md/S14-CL-C-0026/en), [*C15/50*](http://www.itu.int/md/S15-CL-C-0050/en)*,* [*C16/42*](http://www.itu.int/md/S16-CL-C-0042/en),[*C17/42*](http://www.itu.int/md/S17-CL-C-0042/fr) *and* [*C18/42*](http://www.itu.int/md/S18-CL-C-0042/fr) |

**Annexes:** 2

ARREARS AND SPECIAL ARREARS ACCOUNTS

# 1 Status of arrears and special arrears accounts at 31 December 2017

1.1 The status of arrears and special arrears accounts at 31 December 2017 is detailed in Annex C to the Financial Operating Report for the 2017 financial year ([Document C18/42](https://www.itu.int/md/S18-CL-C-0042/en)). The changes in arrears, special arrears accounts and cancelled special arrears accounts since 2010 are given in Annex A to this document.

1.2 Although the total of arrears remains high, the sanctions imposed and efforts deployed to recover the amounts owed and wipe off irrecoverable debts have made it possible to curb the increase in arrears and obtain an appreciable and consistent reduction therein between 2010 and 2017 (see Annex A). Thus, the total of arrears, special arrears accounts and cancelled special arrears accounts fell from CHF 62.5 million at 31 December 2010 to CHF 45.3 million at 31 December 2017, a decrease of 28 per cent.

1.3 Attention is also drawn to the improvement in the status of arrears in relation to last year. At 31 December 2016, total arrears amounted to CHF 46.8 million. Thus, there was a decrease of 3 per cent in 2017 in relation to 2016.

# 2 Actions taken with a view to the settlement of arrears and special arrears accounts and implementation of [Resolution 41 (Rev. Busan, 2014)](http://www.itu.int/pub/S-CONF-ACTF-2014)

2.1 Pursuant to No. 169 (Article 28) of the Constitution, "*A Member State which is in arrears in its payments to the Union shall lose its right to vote ... for so long as the amount of its arrears equals or exceeds the amount of the contribution due for the two preceding years*".

2.2 Furthermore, *resolves* 6 of Resolution 152 (Rev. Busan, 2014) provides that, in the event of late payment, suspension of participation in ITU shall, in the case of a Sector Member or Associate, "*occur six months (180 days) after the date on which payment of the annual contribution was due, and in the absence of a negotiated and agreed repayment schedule, exclusion of a Sector Member or an Associate on grounds of non-payment shall occur three months (90 days) after the date of receipt of the notification of suspension*", while *resolves* 7 stipulates that, "with a view to retaining members and recovering past debts owed, the Secretary-General may have flexibility in implementing *resolves* 6 of this resolution and negotiating repayment plans with Sector Members and Associates".

2.3 Finally, under No. 474 of the Convention, amounts due in respect of contributions "*shall bear interest from the beginning of the fourth month of each financial year of the Union at 3% (three per cent) per annum during the following three months, and at 6% (six per cent) per annum from the beginning of the seventh month*". At 31 December 2017, interest of CHF 2 313 485.00 had been calculated on arrears of contributions owed.

2.4 A statement of account is sent to each debtor four times a year, and the outstanding amounts are given in the Finance Circular issued by the Financial Resources Management Department.

2.5 Each year, a reminder is sent to Member States which have lost their right to vote or which are liable to lose their right to vote in the following year if their arrears are not settled. Member States in arrears for publications are also reminded that unless their arrears are settled, publications will be delivered only against prepayment.

2.6 The Secretary-General has taken all possible actions to reduce outstanding amounts, including special reminders, contacts during conferences and meetings and ongoing efforts by all the regional offices of the Union.

2.7 Member States in arrears are requested to submit to the Secretary-General and agree with him a repayment schedule, and to comply strictly with the agreed terms of settlement. Those which have not complied have been informed about the sanctions immediately taken in their regard, including cancellation of the special arrears account and the obligation to renegotiate a repayment schedule in accordance with the guidelines laid down by the Council in 1999.

2.8 Sector Members, Associates and university establishments in arrears are likewise requested to submit and negotiate repayment schedules. Those which have not done so or have not complied with the agreed terms of settlement have been informed of the suspension of their participation in the work of the Sector(s) or, as appropriate, study group concerned. They receive regular reminders of the amounts that need to be settled in order for them to recover the right to participate in the work of the Union.

2.9 Pursuant to Resolution 41 (Rev. Busan, 2014), three new special arrears accounts were opened by the Secretary-General in 2017. The Secretary-General thus signed one fifteen-year repayment schedule with Somalia; one ten-year repayment schedule with Federations of Saint Kitts and Nevis; one three-year repayment schedule with Equatorial Guinea; and two-year repayment schedules with the former member Alphion Corporation (United States of America) and with the current member INTTIC (Algeria).

2.10 The Administration of Sierra Leone has failed to comply with its repayment schedule, and its special arrears account has therefore been cancelled.

2.11 Attention is also drawn to the fact that five other accounts had been cancelled prior to 2017. The Member States concerned are thus obliged to negotiate a new repayment schedule for their respective debts in accordance with the guidelines laid down by the Council. All other Member States, Sector Members and Associates are strictly complying with their agreed repayment schedules.

2.12 Regarding satellite network filings, pursuant to Decision 545 (Council 2007), of the 28 administrations/operators that were entitled to have their invoices revised, 25 have settled their debts, and one has signed a repayment schedule (Ellipsat, United States of America, including the debt of the former Virtual Geosatellite, bought by Ellipsat). One operator still has an outstanding debt: Global Information Systems (GIS), Russian Federation (CHF 354 759.86).

2.13 Under Resolution 41 (Rev. Busan, 2014), the Council was instructed to review the level of the Reserve for Debtors' Accounts with a view to ensuring appropriate debt coverage, and to report to the next plenipotentiary conference on the results obtained in application of the resolution. As from 2009, following the introduction of the IPSAS standards, new principles for establishing the Reserve for Debtors' Accounts were introduced.

2.14 Thus, at 31 December 2017, the balance of the Reserve for Debtors' Accounts stood at CHF 53.8 million and covered 100 per cent of the amounts to be taken into account by the Reserve in compliance with the aforementioned new principles. The balance of the Reserve for Debtors' Accounts is now reassessed systematically on 31 December each year. It is to be noted that this 100 per cent coverage does not exonerate Member States, Sector Members, Academia and Associates from their commitments to the Union.

# 3 Recommendation

3.1 The Council is requested to approve the writing off of interest on arrears and irrecoverable debts totaling **CHF 7 218 778.05**, in accordance with the guidelines laid down by the Council in 1999, against a corresponding withdrawal from the Reserve for Debtors' Accounts. Details of the irrecoverable debts are as follows:

3.2 Interest on arrears:

3.2.1 CHF 239 033.00 owed by Grenada, which settled its ten-year repayment schedule.

3.2.2 CHF 271 332.65 owed by Nigeria in respect of its 2014-2017 contributions.

3.2.3 CHF 21 360.40 owed by Saint Vincent and the Grenadines in respect of its 2009-2016 contributions.

3.2.4 CHF 2 391.55 owed by the company INTTIC (Algeria), which completed its two-year repayment schedule.

3.2.5 CHF 14 613.50 owed by the company Innovation, Science and Economic Development (Canada), which completed its repayment schedule.

3.2.6 CHF 6 740.60 owed by Telecommunications Regulatory Authority (Liban) in respect of its 2015 contribution.

3.2.7 CHF 417.35 owed by the company Marcatel Com. S.A. de C.V. (Mexico), which completed its repayment schedule.

3.2.8 CHF 1 057.35 owed by the company Alphion Corporation (United States), which completed its repayment schedule.

3.2.9 CHF 6 314.90 owed by the company Bay Microsystems Inc. (United States), which completed its repayment schedule.

3.2.10 CHF 3 230 603.95 owed by Bolivia, which settled its ten-year repayment schedule.

Total interest on arrears is CHF 3 793 865.25.

3.3 Amounts owed by companies whose debts are to be considered irrecoverable. Two types of case are shown:

– companies for which the recovery procedure has been exhausted;

– companies in court-supervised liquidation, according to the correspondence received from the administrations concerned or from national competent authorities.

The companies in question are:

* Azerbaijan: Caspian American Telecommunications LLC;
* Egypt: Egyptian Company for Networks (Egynet);
* Haiti: Communication Cellulaire d’Haiti (COMCEL) ;
* India: Data Access (India) Pty Ltd;
* Israel: Alvarion Ltd., B-DeltaCom Ltd., Foris Telecom Ltd.,   
   Metalink Ltd.;
* Jordan: Xpress;
* Kyrgyzstan: Allipe TV;
* Morocco: CKM Holding;
* Mozambique; Southern Africa Telecommunications Association (SATA);
* Nigeria: Nigerian Telecommunications Ltd (NITEL);
* Pakistan: Callmate Telips Telecom Ltd;
* Romania: Telemobil;
* Saudi Arabia: Zajoul for Advance Communication Technology;
* South Africa: Transtel, Radio Surveillance;
* Turkey: Telsim;
* United Kingdom: Vectone Group Holding Limited; Celtel International;
* United States: Puerto Rico Telephone Company; Wave7 Optics Inc.;
* Zimbabwe: Africom Private Limited, Broadcasting Authority of Zimbabwe (BAZ).

These debts amount to a total of **CHF 3 424 912.80**.

ANNEX A

Changes in arrears and special arrears accounts

(in CHF thousands)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Situation at 31 December** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** |
|  |  |  |  |  |  |  |  |  |
| **Member States** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Contributions | 12,801 | 12,917 | 10,542 | 10,141 | 7,825 | 8,450 | 10,070 | 9,639 |
|  |  |  |  |  |  |  |  |  |
| Publications | 127 | 140 | 49 | 49 | 36 | 36 | 36 | 37 |
|  |  |  |  |  |  |  |  |  |
| Total | 12,928 | 13,057 | 10,591 | 10,190 | 7,861 | 8,486 | 10,106 | 9,676 |
|  |  |  |  |  |  |  |  |  |
| **Sector Members and others** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Contributions | 19,679 | 19,149 | 17,758 | 16,484 | 16,729 | 16,300 | 15,367 | 13,938 |
|  |  |  |  |  |  |  |  |  |
| Publications | 48 | 2 | 4 | 5 | 9 | 12 | 6 | 5 |
|  |  |  |  |  |  |  |  |  |
| Total | 19,727 | 19,151 | 17,762 | 16,489 | 16,738 | 16,312 | 15,373 | 13,943 |
|  |  |  |  |  |  |  |  |  |
| ***Contributions*** | ***32,480*** | ***32,066*** | ***28,300*** | ***26,625*** | ***24,554*** | ***24,750*** | ***25,437*** | ***23,577*** |
|  |  |  |  |  |  |  |  |  |
| ***Publications*** | ***175*** | ***142*** | ***53*** | ***54*** | ***45*** | ***48*** | ***42*** | ***42*** |
|  |  |  |  |  |  |  |  |  |
| **TOTAL ARREARS** | **32,655** | **32,208** | **28,353** | **26,679** | **24,599** | **24,798** | **25,479** | **23,619** |
|  |  |  |  |  |  |  |  |  |
| **REPAYMENT AGREEMENTS** | **11,548** | **9,686** | **15,919** | **10,019** | **18,392** | **15,823** | **8,094** | **7,601** |
|  |  |  |  |  |  |  |  |  |
| **CANCELLED REPAYMENT AGREEMENTS** | **17,711** | **18,932** | **15,587** | **17,768** | **8,582** | **10,418** | **12,547** | **13,394** |
|  |  |  |  |  |  |  |  |  |
| **SATELLITE NETWORK FILINGS** | **533** | **620** | **641** | **571** | **577** | **563** | **584** | **584** |
|  |  |  |  |  |  |  |  |  |
| **MISCELLANEOUS INVOICES** | **12** | **92** | **76** | **65** | **72** | **71** | **68** | **66** |
|  |  |  |  |  |  |  |  |  |
| **Total** | **62,459** | **61,538** | **60,576** | **55,102** | **52,222** | **51,673** | **46,772** | **45,264** |

This table does not include current debtors (i.e. 2017), representing a sum of CHF 19 579 000 at 31 December 2017, which brings the total amount to CHF 64 843 000.

ANNEX B

Draft decision

Cancellation of interest on arrears and irrecoverable debts

The Council,

having examined

the report by the Secretary-General on arrears and special arrears accounts ([Document C18/11](https://www.itu.int/md/S18-CL-C-0011/en)),

decides

to approve the writing off of the following interest on arrears and irrecoverable debts in the amount of **CHF 7 218 778.05** against a corresponding withdrawal from the Reserve for Debtors' Accounts. Please refer to the details in the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Company Name** | **Year** | **Principal** | **Interest** | **Total** |
| Algeria | Institut National des Télécommunications et des Technologies de l'Info. Et de la Communication (INTTIC) | 2011-2012 | 0.00 | 2,391.55 | 2,391.55 |
| Canada | Innovation, Science and Economic Development Canada | 2010 | 0.00 | 14,613.50 | 14,613.50 |
| Grenada | Ministry of Communications, Works, Physical Dev. Publications Utilities & ICT | 1982-2009 | 0.00 | 239,033.00 | 239,033.00 |
| Lebanon | Telecommunications Regulatory Authority | 2015 | 0.00 | 6,740.60 | 6,740.60 |
| Mexico | Marcatel Com. S.A. de C.V. | 2014 | 0.00 | 417.35 | 417.35 |
| Nigeria | Federal Ministry of Communications | 2014-2017 | 0.00 | 271,332.65 | 271,332.65 |
| St. Vincent & Grenadines | Prime Minister's Office | 2009-2016 | 0.00 | 21,360.40 | 21,360.40 |
| USA | Alphion Corporation | 2014 | 0.00 | 1,057.35 | 1,057.35 |
| USA | Bay Microsystems, Inc. | 2004-2011 | 0.00 | 6,314.90 | 6,314.90 |
| Bolivia | Viceministerio de Telecomunicaciones y Vivienda | 1955-2009 | 0.00 | 3,230,603.95 | 3,230,603.95 |
| ***Sub-total 3.2*** | | | **0.00** | **3,793,865.25** | **3,793,865.25** |
| Azerbaijan | Caspian American Telecommunications, LLC | 2005-2007 | 16,556.25 | 13,395.85 | 29,952.10 |
| Egypt | Egyptian Company for Networks (Egynet) | 2000-2007 | 11,887.50 | 11,672.70 | 23,560.20 |
| Haiti | Communication Cellulaire d'Haïti (COMCEL) | 2006-2007 | 56,460.00 | 49,919.60 | 106,379.60 |
| India | Data Access (India) Pty Ltd | 2005-2007 | 95,100.00 | 81,763.50 | 176,863.50 |
| Israel | Alvarion Ltd. | 2011 | 10,600.00 | 4,117.15 | 14,717.15 |
| Israel | B-DeltaCom Ltd. | 2009-2010 | 11,482.90 | 5,683.65 | 17,166.55 |
| Israel | Foris Telecom Ltd. | 2010 | 7,950.00 | 3,768.70 | 11,718.70 |
| Israel | Metalink Ltd. | 2004-2007 | 12,366.30 | 14,471.35 | 26,837.65 |
| Jordan | Xpress | 2007-2009 | 3,975.00 | 2,350.65 | 6,325.65 |
| Kyrgyzstan | Alippe TV | 2013 | 3,975.00 | 1,231.55 | 5,206.55 |
| Morocco | CKM Holding | 2000-2006 | 23,662.50 | 27,436.70 | 51,099.20 |
| Mozambique | Southern Africa Telecommunications Association (SATA) | 2002-2006 | 136,800.00 | 143,202.65 | 280,002.65 |
| Nigeria | Nigerian Telecommunications Ltd. (NITEL) | 2004-2007 | 150,600.00 | 131,701.85 | 282,301.85 |
| Pakistan | Callmate Telips Telecom Ltd. | 2006-2007 | 47,700.00 | 39,672.75 | 87,372.75 |
| Romania | Telemobil | 2003-2007 | 11,850.00 | 11,803.05 | 23,653.05 |
| Saudi Arabia | Zajoul for Advance Communication Technology | 2005-2007 | 11,887.50 | 10,220.45 | 22,107.95 |
| South Africa | Radio Surveillance | 2010 | 10,600.00 | 5,000.20 | 15,600.20 |
| South Africa | Transtel | 2002-2006 | 355,050.00 | 387,902.00 | 742,952.00 |
| Turkey | Telsim | 2001-2006 | 189,300.00 | 218,997.65 | 408,297.65 |
| UK | Vectone Group Holding Limited | 2010 | 7,950.00 | 2,688.85 | 10,638.85 |
| UK | Celtel International | 2004-2007 | 7,950.00 | 6,372.55 | 14,322.55 |
| USA | Puerto Rico Telephone Company | 1995-2002 | 259,700.00 | 472,156.40 | 731,856.40 |
| USA | Wave7 Optics, Inc. | 2008 | 10,600.00 | 6,928.35 | 17,528.35 |
| Zimbabwe | Africom Private Limited | 2004-2007 | 12,543.70 | 10,589.55 | 23,133.25 |
| Zimbabwe | Broadcasting Authority of Zimbabwe (BAZ) | 2002-2006 | 145,040.60 | 150,277.85 | 295,318.45 |
| ***Sub-total 3.3*** | | | **1,611,587.25** | **1,813,325.55** | **3,424,912.80** |
| **Grand Total** | | | **1,611,587.25** | **5,607,190.80** | **7,218,778.05** |

\_\_\_\_\_\_\_\_\_\_\_\_