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| **Council Working Group on Financial and Human Resources****Eighth meeting – Geneva, 22-23 January 2018** |  |
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|  | **Document CWG-FHR-8/21-E** |
| **28 December 2017** |
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| Russian Federation |
| CONTRIBUTION FROM THE RUSSIAN FEDERATIONON THE DRAFT Revised RESOLUTION 41 (REV. BUSAN, 2014)ARREARS AND SPECIAL ARREARS ACCOUNTS |

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| SummaryThe document provides grounds for amending Resolution 41 (Rev. Busan, 2014), taking into account both positive consequences of various measures taken in the ITU of working with debtors and the continued negative trends in still considerable arrears on contributions to the Union from Member States and Sector Members, which represent not yet received revenues and for which, with the introduction of IPSAS standards, a reserve fund is created to cover 100% of total arrears, special arrears accounts and cancelled special arrears accounts, which amounted to 46.8 million Swiss francs as at December 31, 2016.The main proposal for amending Resolution 41 relates to the provision of a trial period until PP-2022, during which it is proposed, by the decision of the Plenipotentiary Conference, to instruct the Council to include additional conditions/detailed procedures relating to the work of the General Secretariat with debtors, that do not violate provisions of No. 474 of the ITU Convention but allow consider the rate of 3% per annum as *the upper permissible level of interest accrued on debts* for three months starting from the fourth month of each ITU financial year and 6% per annum - starting from the seventh month.It is also proposed to insert "Guidelines for repayment schedules for the settlement of arrears and special arrears accounts" in Resolution 41 as Annex 1.Action requiredThe CWG-FHR is invited to consider the proposals made below to take into account the outcomes of the discussion on revised draft Resolution 41 (Rev. Busan, 2014) during preparation for the 2018 Council Session.\_\_\_\_\_\_\_\_\_\_\_\_References*Documents: the ITU Constitution (Article 28 "Finances of the Union"), the ITU Convention (Article 33 "Finances"), Resolution 41 (Rev. Busan, 2014), Resolution 152 (Rev. Busan, 2014), Decision 5 (Rev. Busan, 2014), Resolution 169 (Rev. Busan, 2014), Resolution 158 (Rev. Busan, 2014), Resolution 187 (Rev. Busan, 2014), Doc.C17/11, Doc.C99/27, Financial Regulations* *and Financial Rules of the ITU.* |

**Analysis of arrears of the ITU Members for the period 2009 - 2016**

The Plenipotentiary Conference (Busan, 2014) instructed the Secretary-General to report annually to the Council on the measures taken and on the progress made in repaying the arrears of Member States, Sector Members, Associates and Academia delaying payment of their contributions or having special arrears accounts, and on any case of non-compliance with the agreed terms of repayment.

The Report of the Secretary-General presented in Doc. C17/11 contains the analysis of the status of arrears and special arrears accounts as at December 31, 2016 and measures taken to settle arrears and special arrears accounts and their progress.

Trends in the arrears are illustrated by diagrams in Figures 1 through 5.

Figures 1 and 2 show that the principal arrears of Member States to the ITU on contributions after 2014 are steadily increasing with the average annual growth rate of 17.9%; in this context, the growth rate in 2015 was 8% compared to 2014, but the growth rate in 2016 was already almost 19.2% compared to 2015.

Figures 1 and 2 also show that the principal arrears of Sector Members to ITU on contributions after 2014 tend to decrease with an average annual decline rate of about 5.7%; in this context, the decline rate in 2015 was 3% compared to 2014, but in 2016 decline rate was 8% compared to 2015.

The analysis evidently demonstrates that in the spirit of Resolution 41 further measures are needed to work with Member States having arrears to the ITU, and consolidation of positive trends in the spirit of Resolution 152 is needed when working with Sector Members.

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| Arrears on contributions of Member StatesMember States publicationsSector Members contributionsSector Members PublicationsTotal arrears on contributions of MS and SMTotal arrears on publications of MS and SMAggregate arrears on contributions and publications of MS and SM | Arrears on contributions of Member StatesMember States publicationsSector Members contributionsSector Members PublicationsTotal arrears on contributions of MS and SMTotal arrears on publications of MS and SMAggregate arrears on contributions and publications of MS and SM |
| Figure 1: Arrears of Member States and Sector Members on contributions and publications (thousands of Swiss francs)  | Figure 2: Trends by various types of arrears (thousands of Swiss francs)  |

From Figure 3 it follows, that restructuring of arrears achieved through compliance with the agreed repayment schedules for unpaid contributions has a positive impact on the overall arrears to the ITU. In the period from 2014 to 2016, the number of cancelled arrears accounts increased by 46.2%. This emerged negative trend may continue in the future. Therefore, an urgent need still remains for all ITU Members having arrears, especially for those with special arrears accounts cancelled, to submit repayment schedules to the Secretary-General and coordinate these schedules with him as soon as possible.

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| Total arrears on contributions and publications of MS and SMSpecial arrears accounts Cancelled special arrears accounts Satellite networksVarious invoices Aggregate arrears without accounts receivable  | Aggregate arrears without accounts receivable Total arrears on contributions and publications of MS and SMSpecial arrears accounts Cancelled special arrears accounts Satellite networksVarious invoices  |
| Figure 3: Dynamics of changes in arrears in the ITU (thousands of Swiss francs) | Figure 4: Structure of arrears to the ITU (thousands of Swiss francs) |

Figure 4 shows the structure of the Reserve Fund for Debtors' Accounts, which, in accordance with IPSAS standards, covers 100% of arrears and is revalued as of December 31 each year, but it does not release Member States, Sector Members, Academia and Associates from their obligations to the Union. As of December 31, 2016, the Reserve Fund for Debtors' Accounts (RFDA) amounted 48.6 million Swiss francs, this is 9% lower compared to December 31, 2015, and the overall positive trend towards decreasing the RFDA still remains.

Amount of interests for late payments and bad debts written off from the RFDA still remains significant, amounting about three million Swiss francs averaged per annum for the period 2009-2016 with two peaks in 2012 and 2015 as Figure 5 shows. It appears that charging large interests (3% and 6%), on the one hand, makes it difficult to pay debts, but on the other hand, with restructured debt, it ceases to be a motivating tool because interests are written off due to the compliance with the debt repayment schedule.

Figure 5: Amount of written off interests on special arrears accounts and unpaid bad debts, in thousands of Swiss francs

**Proposals for consideration**

1. Continue to take all measures that are consistent with the ITU Constitution and Convention, intended to reduce all types of arrears that diminish financial stability of the Union.

2. Consider the possibility to enable the Plenipotentiary Conference considering the rate of 3% per annum as *the upper permissible level of interest accrued on debts* for three months starting from the fourth month of each ITU financial year and 6% per annum starting from the seventh month, not excluding from the treaty document adopted by the Plenipotentiary Conference (the ITU Convention or other document) provisions relating to procedures for collection of arrears of late payments and insertion of relevant provisions in the Financial Regulations and the Financial Rules of the ITU.

3. It is proposed that the Plenipotentiary Conference 2018 entitles the ITU Council on a temporary trial basis for the period of the ITU Strategic and Financial Plan for 2020-2023 to establish other amount of interest accrued on arrears of late contributions of the Member States, Sector Members and other mandatory payments to the budget of the ITU but not exceeding the level specified in No. 474 of the ITU Convention.

4. It is proposed to place the draft document "Guidelines for repayment schedules for the settlement of arrears and special arrears accounts", based on the revised Doc.C99/27, as the Annex 1 to Resolution 41 (Annex A to this document).

# ANNEX А

RESOLUTION 41 (REV. DUBAI, 2018)

Arrears and special arrears accounts

The Plenipotentiary Conference of the International Telecommunication Union (Dubai , 2018),

 *taking into account*

the report of the ITU Council to the Plenipotentiary Conference on the situation with regard to amounts owed to the Union by Member States, Sector Members, Academia and Associates;

Resolution 152 (Rev. ХХХХ, ХХХХ) which recognizes the need to increase the contributions receipt and considerably reduce arears of Sector Members and Associates, and which might provide the Secretary-General the flexibility in negotiating repayment plans with Sector Members and Associates;

Resolution 158 (Rev. ХХХХ, ХХХХ) which notes, inter alia, the need in *developing additional new financial mechanisms* and reporting *with recommendations regarding actions that can be implemented on a longer-term basis, including any modifications to the relevant articles of the Constitution and Convention that may be required;*

Resolution 169 (Rev.ХХХХ, ХХХХ) resolving *to continue to admit academia to participate in the work of the Union, pursuant to the provisions of this resolution, without the need for any amendment to Articles 2 and 3 of the ITU Constitution and Article 19 of the ITU Convention or any other provision of the Convention;*

Article 24 of the ITU Financial Regulations and Financial Rules on reserve for arrears accounts, according to which Plenipotentiary Conference may delegate such power to write off debts to the Council or to the Secretary-General,

 *noting*

that according to No. 168 of the ITU Constitution *Member States and Sector Members shall pay in advance their annual contributory shares*;

that notwithstanding the current descending trend, the level of arrears is still high,

*considering*

that according to No. 160 of the ITU Constitution all ITU Members shall be free to choose their class of contribution for defraying Union expenses;

that it is in the interest of all Member States, Sector Members, Academia and Associates to maintain the finances of the Union on a sound footing which is the core element for achieving ITU strategic goals and SDGs,

*considering further*

that the whole positive trend of decreasing the total accumulated debt is due to debt restructuring;

that a number of Member States and Sector Members for which special arrears accounts have been established have up to now not complied with their obligation to submit a repayment schedule to the Secretary-General, and to agree on such a schedule with the Secretary-General, and that their special account has accordingly been cancelled;

that a negative trend of growing cancelled special arrears accounts has emerged;

that write-off of significant amounts of money continues (bad debts and debt interest), which represents, as other debts do, uncollected revenue of the Union,

*urges*

all Member States in arrears, especially those for which special arrears accounts have been cancelled, as well as Sector Members, Academia and Associates in arrears, to submit arrears repayment schedule to the Secretary-General, and to agree on such a schedule with the Secretary-General,

*confirms*

the decision to open any new special arrears account only after the conclusion of an agreement with the Secretary-General establishing a specific repayment schedule at the latest within up to one year of the receipt of the request for such a special arrears account,

*resolves*

that No. 169 of the Constitution shall not be taken into account, provided that the Member States concerned have submitted their arrears repayment schedules to the Secretary-General, and agreed on those schedules with the Secretary-General, and for as long as they strictly comply with them and with the associated conditions, and that failure to comply with the repayment schedule and associated conditions shall result in the cancellation of the special arrears account;

that this Plenipotentiary Conference allows the Council, on a provisional basis during the period of the ITU Strategic and Financial Plans, set other interest rates but not exceeding the level stated in No. 474 of the Convention,

*instructs the Council*

1 to monitor the work of the ITU Secretary-General on implementation of this Resoltuion;

2 to take as a guide "Guidelines for repayment schedules for the settlement of arrears and special arrears accounts" (Annex 1 to this Resolution), taking into account a maximum duration, which would be up to five years for developed countries, up to ten years for developing countries and up to fifteen years for least developed countries, as well as up to five years for Sector Members and Associates;

3 to consider the following appropriate additional measures in *exceptional* circumstances:

• temporary reduction in class of contribution in conformity with No. 165A of the Constitution and No. 480B of the ITU Convention, if the Member State wishes to settle its debt within a shorter term than stated in 2 above;

• the write-off of interest on overdue payments, subject to each Member State, Sector Member and Associate concerned complying strictly with the agreed repayment schedule for settlement of the unpaid contributions;

• a repayment schedule for up to thirty years maximum for countries in special need due to natural disasters, civil conflicts or extreme economic hardship;

• an adjustment in the repayment schedule in its initial phase to permit payment of a lower annual amount, provided that the total accrued amount is the same at the end of the repayment schedule;

• the write-off of bad debts;

4 to take additional measures in respect of non-compliance with the agreed terms of settlement and/or arrears in payment of annual contributory shares not included in repayment schedules, in particular to include suspending ITU Members' participation in the work of the Union,

5 to prepare jointly with the Secretary-General a report on implementing this Resolution for a Plenipotentiary Conference,

*authorizes the Secretary-General*

to negotiate and agree upon, with all Member States in arrears, especially those for which special arrears accounts have been cancelled, as well as with Sector Members,Associates and Academia in arrears, schedules for the repayment of their debts in accordance with "Guidelines for repayment schedules for the settlement of arrears and special arrears accounts", and, where appropriate, to submit for decision by the Council proposals for additional measures as indicated under instructs the Council above, including those related to non-compliance with repayment schedules,

*instructs the Secretary-General*

to inform all ITU Members in arrears or having special arrears accounts or cancelled special arrears accounts of this resolution and “Guidelines for repayment schedules for the settlement of arrears and special arrears accounts” presented in Annex 1 to this Resolution;

to report to the Council on the measures taken and progress made towards the settlement of debts in respect of special arrears accounts or cancelled special arrears accounts, as well as on any non-compliance with the agreed terms of settlement;

to submit to the Council proposals on the amount of debt interest for the four year period of Strategic and Financial Plans,

*urges Member States, Sector Members, Academia and Associates*

to assist the Secretary-General and the Council in the application of this resolution.

**Annex 1**

**DRAFT GUIDELINES FOR REPAYMENT SCHEDULES FOR**

**THE SETTLEMENT OF ARREARS AND**

**SPECIAL ARREARS ACCOUNTS**

**Conclusion of an agreement establishing a repayment schedule and associated conditions**

1 Any repayment schedule and the associated conditions shall be laid down in a written agreement concluded between the debtor concerned and the ITU Secretary-General (APPENDIX A), in line with the guidelines set out below. This agreement must be concluded no later than one year after receipt by the Secretary-General of the written request for a special arrears account to be opened.

**Modalities**

2 Arrears subject to an agreement establishing a repayment schedule shall be transferred to a special arrears account bearing no interest. The amounts transferred to a special arrears account may include assessed contributions due, or interest on overdue payments, or both.

**Recovery of rights**

3 A Member State which concludes a written agreement with the Secretary-General setting out a specific repayment schedule for the settlement of its arrears shall recover the right to vote lost on account of its arrears as from the date of receipt by ITU of the first instalment in accordance with the terms of the written agreement, subject to the provisions of No. 210of the Constitution.

Similarly, for a Sector Member, [Associate, Academia] which concludes such a written agreement with the Secretary-General, the suspension of its participation in the work of the Sector or Sectors concerned shall be lifted as from the date of receipt by ITU of the first instalment in accordance with the terms of the written agreement.

4 No. 169 of the Constitution[[1]](#footnote-1) shall not be taken into account provided that the Member States concerned have submitted their arrears repayment schedules to the Secretary-General, and agreed on those schedules with the Secretary-General, and for as long as they strictly comply with them and with the associated conditions, and that failure to comply with the repayment schedule and associated conditions shall result in the cancellation of the special arrears account.

[The procedure for restoration of rights will similarly be implemented for a Sector Member, Associate and Academia]

**Repayment period**

5

The maximum repayment period for Member States and Sector Members would generally be up to five (5) years for developed countries, up to ten (10) years for developing countries, and fifteen (15) years for least developed countries. For Academia and Associates the period would be up to five (5) years.

6 In accordance with Resolution 41 (Rev. Dubai, 2018), the Council is authorized to take appropriate additional measures in exceptional circumstances related to extension of repayment schedules, write-off of bad debts and accrued interests.

**Temporary reduction of class of contribution**

7 A Member State wishing to settle its arrears within a [any] shorter period than that indicated in § 4 may, for this purpose, request a *temporary reduction*in its class of contribution, provided that this reduction complies with the scale of contributions set out in Article 33 of the Convention. Such a request, duly substantiated, shall be submitted to the Council for approval.

8 If, however, the Member State concerned subsequently chooses, during the repayment period, to reduce its class of contribution under the relevant provisions of Article 28 of the Constitution, the temporary reduction approved by the Council will only apply up to the date of entry into force of the new class chosen under Article 28.

**Writing off of interest on overdue payments**

9 Subject to prior approval of the Council, granted on a case-by-case basis, the interest on arrears accrued by a Member State or Sector Member may be partially or totally written off. This action will however only become effective once the amount owed stipulated in the repayment agreement concluded between the Member State or Sector Member concerned and the Secretary-General has been settled *in full.*

**Sanctions**

10 Failure to comply strictly with the agreed terms and conditions of the written agreement establishing the specific repayment schedule and with the associated conditions shall result in abolition of the special arrears account and the associated conditions with immediate effect, and restoration of the sanctions foreseen in the basic instruments of the Union or in the decisions of the Plenipotentiary Conference and the Council.

11 During the repayment period, the debtor shall continue to pay annually its assessed contribution in full. Any failure in this respect (i.e. if the debtor falls into arrears on all or part of its assessed contribution) shall result in the abolition of the special arrears account and immediate termination of the written agreement with the Secretary-General.

**Effective date**

12 . These guidelines shall enter into force on 01 January, 2019. All agreements concluded before this date are implemented under agreements and repayment schedules concluded on the bases of guidelines entered into force on 25 June, 1999 (Doc. С99/27). However, the ITU Member has the right to restructure the repayment schedule adopted before 1 January, 2019, in accordance with this Guidelines related to repayment schedules and special arrears accounts. A debtor failing to respect such previously agreed terms shall be requested to renegotiate the terms of settlement under these guidelines.

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APPENDIX A

**DRAFT REPAYMENT AGREEMENT**

*between*

[The Government of (*Member State*) represented by ........

hereinafter called "the Member State"]

[(*Name of the entity*), member of the (*Name of the Sector*)

of the International Telecommunication Union

hereinafter called "the Sector Member"]

*[(Name of the entity),* member of the (*Name of the Sector or Study Groups*)]

of the International Telecommunication Union

hereinafter called "the Associate"]

[(*Name of the entity*), member of the (*Name of the Sector or Study Groups)*]

of the International Telecommunication Union

hereinafter called "the Academia"]

and

the International Telecommunication Union, hereinafter called "ITU"

represented by its Secretary-General

(Name of the Secretary-General)WHEREAS the Plenipotentiary Conference of ITU (Dubai, 2018) has adopted Resolution 41 (Rev. Dubai, 2018) relating to arrears and special arrears accounts which authorizes the Secretary-General of ITU to negotiate and agree upon, with all Member States in arrears as well as with Sector Members, the Associate, the Academia in arrears, schedules for the repayment of their debts in accordance with the guidelines established by the Plenipotentiary Conference for repayment schedules for the settlement of arrears and special arrears accounts (see Annex A hereto);

WHEREAS (*Name of the Member State/Sector Member/Associate/Academia*) is in arrears in its payments to the Union;

NOW THEREFORE (*the Member State/Sector Member/Associate/Academia*) and ITU have concluded the present Agreement on repayment of the debts due by (*the Member State/Sector Member/Associate/Academia*) to ITU under the following terms and conditions.

1. The Member State/Sector Member/Associate/Academia recognizes that the amount due to ITU at the date of signature of the present Agreement is CHF ........ ([amount in words] Swiss francs), which includes CHF ........ ([amount in words] Swiss francs) owed in respect of contributions for the period …….[DD Month YYYY] to…….[DD Month YYYY]and CHF ........ ([amount in words] Swiss francs) owed in interest on the overdue payment.

2. The Member State/Sector Member/Associate/Academia shall repay the amount due to ITU in equal annual instalments over a period of ........ [in words] (........ [in figures]) years.

3. Concurrently, the Member State/Sector Member/Associate/Academia shall pay in full its assessed contribution for each financial year covered by the period mentioned in paragraph 2 above.

4. The first payment in application of paragraph 2 above, amounting to CHF ........ ([amount in words] Swiss francs), shall be effected by the Member State/Sector Member/Associate/Academia not later than ........[DD Month YYYY]. All other annual instalments shall be effected not later than ........[DD Month YYYY] of each year.

5. All payments by the Member State/Sector Member/Associate/Academia to ITU under this Agreement shall be made payable in Swiss francs to ITU, Account No. ........ at the [Bank], Geneva, Switzerland.

6. Upon receipt by ITU of the first instalment referred to in paragraph 4 above, the amount due to ITU and referred to in paragraph 1 above shall be transferred to a special arrears account bearing no interest. This amount shall not be taken into account when applying No. 169 of the ITU Constitution. Such a transfer shall permit the Sector Member to immediately resume its participation in the work of the Union.

7. Optional provision:a temporary reduction in class of contribution from … units to …units is granted to the Member State for the period indicated in paragraph 2 above. However, if, during that period, the Member State chooses to reduce its class of contribution under the relevant provisions of Article 28 of the Constitution, the aforementioned temporary reduction will cease to apply as from the date of entry into force of the new contributory class chosen under Article 28.

8. Optional provision:оnce ITU has received the last annual instalment referred to in paragraph 2 above, and subject to strict compliance with paragraph 3, the interest on arrears owed to ITU by [the Member State] [the Sector Member] amounting to CHF … ([amount in words] Swiss francs) shall[/may] be written off.

9. Any failure to comply with repayment schedule or with payment of the Member State's/Sector Member's/Associate's/Academia's full assessed annual contribution shall result, without further notice, in the termination of this Agreement and abolition of the special arrears account referred to in paragraph 6 above, as well as in the restoration with immediate effect of the sanctions specified in the Constitution and Convention of ITU or in the relevant decisions of Plenipotentiary Conference and ITU Council.

10. The present Agreement may only be modified by written agreement signed by both Parties hereto, which shall then be considered as forming an integral part of this Agreement.

11. The addresses of the parties for the purpose of any notification or written communication required under this Agreement are as follows. Notice shall be deemed sufficient if sent by first class air mail:

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| For ITUMr/Mrs ......… … … … … … …Chief, Finance DepartmentInternational Telecommunication UnionPlace des NationsCH-1211 Geneva 20Switzerland | For the Member State/Sector Member/Associate/AcademiaMr/Mrs … … … .. ......… … … … … … .. |

12. The present Agreement shall enter into force on the date of its signature by both Parties hereto. It shall remain in force until the last instalment due is received by ITU.

IN WITNESS THEREOF, the undersigned, being duly authorized thereto, have signed two (2) originals of the present Agreement in [English/French/Spanish/Russian/Arabic/Chinese].

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| Place:Date:For the Member State/Sector Member/Associate /AcademiaMr/Mrs … … … … … … … … … … | Place: GenevaDate:For the International Telecommunication UnionName of the Secretary-General |

**~~[]~~**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. No. 169 PP-98 "A Member State which is in arrears in its payments to the Union shall lose its right to vote as defined in Nos. 27 and 28 of this Constitution for so long as the amount of its arrears equals or exceeds the amount of the contribution due for the two preceding years" [↑](#footnote-ref-1)