

Agenda item: ADM 1

Document C14/11-E
14 April 2014
Original: French

Report by the Secretary-General

ARREARS AND SPECIAL ARREARS ACCOUNTS

Summary

The Plenipotentiary Conference (Guadalajara, 2010) 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 1 124 518.94** of interest on arrears and irrecoverable debts;
- 3) to **adopt** the draft decision attached in Annex B.

References

[CS 169](#), [CV 474](#),
[Res. 41 \(Rev. Guadalajara, 2010\)](#), [Res. 152 \(Rev. Guadalajara, 2010\)](#),
[C99/27](#) and [C14/26](#).

Annexes: 2

ARREARS AND SPECIAL ARREARS ACCOUNTS

1 Status of arrears and special arrears accounts at 31 December 2013

1.1 The status of arrears and special arrears accounts at 31 December 2013 is detailed in Annex B to the Financial Operating Report for the 2013 financial year (Document [C14/26](#)). The changes in arrears, special arrears accounts and cancelled special arrears accounts since 2006 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 2006 and 2013 (see Annex A). Thus, the total of arrears, special arrears accounts and cancelled special arrears accounts fell from CHF 69.4 million at 31 December 2006 to CHF 55.1 million at 31 December 2013, a decrease of 21 per cent.

1.3 Attention is also drawn to the improvement in the status of arrears in relation to last year. At 31 December 2012, total arrears amounted to CHF 60.6 million. Thus, there was a decrease of 9 per cent in 2013 in relation to 2012.

2 Actions taken with a view to the settlement of arrears and special arrears accounts and implementation of [Resolution 41 \(Rev. Guadalajara, 2010\)](#)

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, Resolution 152 (Rev. Guadalajara, 2010) 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*". Regarding the implementation of that resolution, please refer to Document [C14/14](#).

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*".

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. Guadalajara, 2010), new special arrears accounts were opened by the Secretary-General in 2013. The Secretary-General thus signed a five-year repayment schedule with Cameroon Telecommunications (CAMTEL) and one of two and a half years with Ellipsat (United States).

2.10 The Administrations of Cambodia and Republic of the Congo, as well as the company Vodafone Omnitel (Italy), have failed to comply with their repayment schedules, and their special arrears accounts have therefore been cancelled.

2.11 Attention is also drawn to nine other accounts cancelled prior to 2013, six of which belonged to Member States (Central African Republic, Gambia, Honduras, Liberia, Nicaragua and Somalia) and three to companies/organizations (Bay Microsystems, United States; Telecommunication Information Technology (TIT), Lebanon; and TranSwitch, United States). The Member States and companies/organizations 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, 23 have settled their debts, and one signed a repayment schedule in 2013 (Ellipsat, United States, which has thus resumed membership of ITU; the amount involved includes the debt of the former Virtual Geosatellite, bought by Ellipsat). However, three administrations/operators still have outstanding debts: Global Information Systems (GIS), Russian Federation (CHF 281 003.01); General Radio Frequency Service, Russian Federation (CHF 14 894.45); and the Commission on Information and Communications Technology (CICT), Philippines (CHF 9 188.45).

2.13 Under Resolution 41 (Rev. Guadalajara, 2010), 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. Thus, at 31 December 2013, the balance of the Reserve for Debtors' Accounts stood at CHF 56.9 million and covered 100 per cent of the amounts to be taken into account by the Reserve in compliance with the aforementioned

new principles. Henceforth, the balance of the Reserve for Debtors' Accounts shall be 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 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 totalling **CHF 1 124 518.94**, in accordance with the guidelines laid down by the Council in 1999, against a corresponding withdrawal from the Reserve for Debtors' Accounts. That sum comprises the following:

3.2 Interest on arrears:

3.2.1 CHF 22 523.10 owed by Equatorial Guinea, which settled its 2009-2013 contributions;

3.2.2 CHF 107 768.25 owed by the Islamic Republic of Iran, which settled its 2008-2012 contributions;

3.2.3 CHF 7 526,00 owed by Israel, which settled its 2013 contribution;

3.2.4 CHF 191 108.45 owed by Nigeria, which settled its 2011-2013 contributions;

3.2.5 CHF 36 368.35 owed by Senegal, which settled its 2011-2012 contributions;

3.2.6 CHF 51 051.62 owed by Chad, which settled its 1971-2013 contributions;

3.2.7 CHF 19 168.95 owed by the company Time dotCom Berhad, Malaysia, which settled its 2005 contribution;

3.2.8 CHF 40 613.70 owed by the company National Space Research and Development (NARSDA), Nigeria, which complied with its repayment plan and settled its 2004-2007 contributions.

3.3 Amounts owed by the following companies, whose debts are to be considered to be irrecoverable based on the correspondence received from the administrations concerned or national authorities responsible for their court-supervised liquidation: Spain (Ondas Medias S.A); United States (Avanex Corporation, Cantata Technology, Cooper Mountain Networks Inc., Corvis Corporation, Entrisphere Inc., ESS Technology Inc. (formerly NetRidium Communications Inc.), Photonic Bridges Inc., and Pulse-LINK); and United Kingdom (Veebeam Ltd, formerly Artimi). These debts amount to a total of CHF 648 390.52.

ANNEX A

Changes in arrears and special arrears accounts
(in CHF thousands)

Situation at 31 December	2006	2007	2008	2009	2010	2011	2012	2013
ARREARS								
Member States								
Contributions	14 095	15 714	16 359	12 534	12 801	12 917	10 542	10 141
Publications	<u>124</u>	<u>134</u>	<u>122</u>	<u>121</u>	<u>127</u>	<u>140</u>	<u>49</u>	<u>49</u>
Total	14 219	15 848	16 481	12 655	12 928	13 057	10 592	10 190
Sector Members and others								
Contributions	21 940	18 443	18 284	18 580	19 679	19 149	17 758	16 484
Publications	<u>98</u>	<u>89</u>	<u>42</u>	<u>44</u>	<u>48</u>	<u>2</u>	<u>4</u>	<u>5</u>
Total	22 038	18 532	18 326	18 624	19 727	19 151	17 762	16 489
Contributions	36 035	34 157	34 643	31 114	32 480	32 066	28 300	26 625
Publications	222	223	164	165	175	142	53	54
TOTAL ARREARS	36 257	34 380	34 807	31 279	32 655	32 208	28 353	26 679
SPECIAL ARREARS ACCOUNTS	23 943	11 418	15 416	19 251	11 548	9 686	15 919	10 019
CANCELLED SPECIAL ARREARS ACCOUNTS	9 232	21 370	16 973	15 412	17 711	18 932	15 587	17 768
SATELLITE NETWORKS		2 218	589	621	533	620	641	571
SUNDRY INVOICES					12	92	76	65
Total	<u>69 432</u>	<u>69 386</u>	<u>67 785</u>	<u>66 563</u>	<u>62 459</u>	<u>61 538</u>	<u>60 576</u>	<u>55 102</u>

This table does not include current debtors (i.e. 2013), representing a sum of CHF 11 873 000 at 31 December 2013, which brings the total amount to CHF 66 975 000.

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 C14/11),

decides

to approve the writing off of the following interest on arrears and irrecoverable debts in the amount of **CHF 1 124 518.94** against a corresponding withdrawal from the Reserve for Debtors' Accounts:

- Equatorial Guinea: CHF 22 523.10 corresponding to interest on contribution arrears from 2009 to 2013
- Islamic Republic of Iran: CHF 107 768.25 corresponding to interest on contribution arrears for 2008 to 2012
- Israel: CHF 7 526.00 corresponding to interest on contribution arrears from 2013
- Nigeria: CHF 191 108.45 corresponding to interest on contribution arrears from 2011 to 2013
- Senegal: CHF 36 368.35 corresponding to interest on contribution arrears from 2011 and 2012
- Chad: CHF 51 051.62 corresponding to interest on contribution arrears from 1971 to 2013
- Time dotCom Berhad, Malaysia: CHF 19 168.95 corresponding to interest on contribution arrears for 2005
- National Space Research and Development (NARSDA), Nigeria: CHF 40 613.70 corresponding to interest on contribution arrears from 2004 to 2007
- Ondas Medias S.A., Spain: CHF 39 294.55 corresponding to contributions (CHF 31 800.00) and interest on arrears (CHF 7 494.55) for 2009
- Avanex Corporation, United States of America: CHF 13 884.10 corresponding to contributions (CHF 10 600.00) and interest on arrears (CHF 3 284.10) for 2008
- Cantata Technology, United States of America: CHF 90 951.80 corresponding to contributions (CHF 63 600.00) and interest on arrears (CHF 27 351.80) for for 2006 and 2007
- Cooper Mountain Networks Inc., United States of America: CHF 203 426.35 corresponding to contributions (CHF 126 300.00) and interest on arrears (CHF 77 126.35) from 2000 to 2006
- Corvis Corporation, United States of America: CHF 203 145.50 corresponding to contributions (CHF 126 300.00) and interest on arrears (CHF 76 845.50) from 2003 to 2006
- Entrisphere Inc., United States of America: CHF 14 717.15 corresponding to contributions (CHF 10 600.00) and interest on arrears (CHF 4 117.15) for 2007

- ESS Technology Inc. (formerly NetRidium Communications Inc.), United States of America: CHF 10 310.05 corresponding to contributions (CHF 5 250.00) and interest on arrears (CHF 5 060.05) for 2001
 - Photonic Bridges Inc., United States of America: CHF 46 697.60 corresponding to contributions (CHF 31 700.00) and interest on arrears (CHF 14 997.60) from 2005 to 2007
 - Pulse-LINK, United States of America: CHF 11 246.27 corresponding to contributions (CHF 11 199.92) and interest on arrears (CHF 46.35) for 2008 and 2009
 - Veebeam Ltd (formerly Artimi), United Kingdom: CHF 14 717.15 corresponding to contributions (CHF 10 600.00) and interest on arrears (CHF 4 117.15) for 2008.
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