

Agenda item: ADM 5

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Report by the Secretary-General

IMPROVEMENT OF MANAGEMENT AND FOLLOW-UP OF THE DEFRAYAL OF ITU EXPENSES BY SECTOR MEMBERS, ASSOCIATES & ACADEMIA

Summary

In [Resolution 152 \(Rev. Guadalajara, 2010\)](#), the Plenipotentiary Conference instructed the Secretary-General, in consultation with the Directors of the Bureaux, to report to the Council on the management and follow-up of the defrayal of ITU expenses by Sector Members and Associates, highlighting any difficulty that may be encountered and proposing further improvements.

Since Council 2011, the Secretary-General requested greater flexibility in the implementation of the provision regarding automatic removal as it had contributed to a significant loss of Members. Furthermore, the Secretary-General also requested flexibility in the negotiation of debt payment terms of Members in case of mergers and acquisitions, in order to facilitate the recovery of past debts and attract potential new members. Council has granted the Secretary-General flexibility while requesting annual reports on progress achieved.

Action required

The Council is invited to take **note** of the report by the Secretary-General on the improvement of management and follow-up of the defrayal of ITU expenses by Sector Members, Associates and Academia and **endorse** the Recommendations as per Section 4.

References

Council Documents [C05/40](#), [C11/11](#), [C11/21](#), [C12/10](#) and [C13/14](#)

Improvement of management and follow-up of the defrayal of ITU expenses by Sector Members, Associates & Academia

1 Summary

1.1 Resolution 152 (Rev. Guadalajara, 2010) instructed the Secretary-General, in consultation with the Directors of the Bureaux, to report to the Council on the management and follow-up of the defrayal of ITU expenses by Sector Members and Associates, highlighting any difficulty that may be encountered and proposing further improvements.

1.2 Resolution 152 was initially adopted in Antalya in 2006, then modified in Guadalajara in 2010, mainly with respect to the period imposed for suspension and exclusion of Members in the case of late payment, as follows:

- the period prior to the imposition of any suspension was extended from 90 to 180 days; and
- the period prior to exclusion was reduced from 180 to 90 days.

2 Background: Results obtained from the application of Resolution 152 (Rev. Guadalajara, 2010)

2.1 The adoption of Resolution 152, had a positive impact on the payment of contributions, as reflected in a better collection rate and a consequent reduction in the debt (particularly the current debt) of Sector Members and Associates. The following two tables show the progression of the contributions' collection rate as well as the progression of the current debt (contributions due for the current year) and arrears (cumulative unpaid contributions for the preceding years) of Sector Members and Associates. Since 2011, table 1 shows collection rates of the new membership category, Academia (Academia, universities and their associated research establishments), created by Resolution 169 (Guadalajara, 2010).

Table 1 Progression of the contributions' collection rate of Sector Members, Associates & Academic Institutions (% of amounts received as against amounts invoiced)

Members	2007	2008	2009	2010	2011	2012	2013
Sector Members	91%	96%	96%	97%	99%	98%	98%
Associates	89%	86%	88%	91%	93%	94%	93%
Academia					80%	86%	92%

Table 2 Progression of the current debt and arrears of Sector Members, Associates & Academia (In thousands of Swiss francs)

Debt	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Current Debt (Contributions)	4,005	4,504	4,900	1,678	919	1,416	677	374	469	470
Arrears (Contributions)	15,931	19,300	21,940	18,443	18,284	18,580	19,679	19,149	17,758	16,484

2.2 Table 2 shows that over the ten-year period from 2004 to 2013, the current debt of Sector Members, Associates and Academia fell by a substantial 88%, from CHF 4.0 million to CHF 0.47 million. Particularly noteworthy is that in the year 2007, when the rules established under Resolution 152 (Antalya, 2006) first came into force, a significant drop in current debt was realized, from CHF 4.9 million in 2006 to CHF 1.7 million in 2007, which represents a decrease of 66%.

2.3 Concerning the arrears, these experienced an increase until 2006 but have stabilized since 2007. In fact, the arrears have had a continued encouraging decrease of 7%, from CHF 17.8 million in 2012 to CHF 16.5 million in 2013.

Challenges

2.4 The entry into force of Resolution 152 (Rev. Guadalajara, 2010) brought some important challenges such as: the systematic loss of Sector Members and Associates; difficulties in recovering debts of excluded Members due to lack of incentives or alternative negotiation mechanisms once exclusion has taken effect; and lack of flexibility to negotiate Sector Member and Associate debts in the case of mergers and acquisitions (new or current members who have acquired an ex-ITU Member having a debt). The ITU's practice has been that a company cannot participate as a Sector Member or Associate unless it agrees to reimburse 100% of the debts of the acquired Company. This can be a significant barrier to ITU participation for a new company. It is common practice in the private sector for companies to negotiate with creditors to clear the outstanding debts of a company they have purchased. According to Resolution 152 (Rev. Guadalajara, 2010), the Secretariat does not currently have the flexibility to make such arrangements, and is thus missing the opportunity to recover some of the past debts owed while at the same time turning away potential new Sector Members or Associates.

2.5 Faced with the above-mentioned challenges, the ITU management decided, on a provisional basis from January 2011, *not to automatically exclude Sector Members and Associates for non-payment of fees*, pending further guidance from Council. As requested, since Council 2011, the Secretary-General was granted flexibility concerning automatic removal of Sector Members and Associates, with a view to retaining Members, while remaining in conformity with Resolution 152, and with the agreement that the Secretary-General reports annually on progress achieved.

2.6 Since Council 2011, the Secretary-General was also granted flexibility in the negotiation of debt payment terms of Sector Members and Associates in cases of mergers and acquisitions in order to facilitate the recovery of past debts and attract potential new members.

3 Results obtained from the flexibility granted to the Secretary-General since Council 2011

3.1 Since the flexibility was granted to the Secretary-General, a customized reminder procedure was put in place for Sector Members and Associates in arrears with their payments, as was close internal collaboration with the Bureaux of the Sectors and Regional Offices to keep them informed of amounts owed by Sector Members and Associates enabling them to take the necessary measures vis-à-vis the entities in question and relevant administrations concerned.

3.2 The procedure put in place (for details, refer to Document C13/14, paragraphs 3.1 and 3.2: <http://www.itu.int/md/S13-CL-C-0014/en>) has produced positive results, leading to a decrease in the number of suspended companies and those definitively excluded from Membership. In 2013, out of 147 entities at risk of suspension in May 2013, only 39 were suspended in October 2013. This was further reduced to 25 entities, which are "frozen" since January 2014. Current "frozen" entities at risk of exclusion include 18 Sector Members, six Associates and one Academia. 57% of these entities are from ITU-D Sector (the majority of them pays the lowest contributory unit class: 1/16 units or CHF 3,975 per year); 29% are from ITU-T Sector and 13% are from ITU-R Sector.

3.3 Considerable efforts were undertaken to re-engage entities who were at risk of exclusion. Thus, of 27 entities that would have been excluded according to Resolution 152 in January 2013, the Secretariat was able to convince three to settle their fees and their memberships were reactivated, while seven officially denounced. Also, at the moment, two entities are in the process of resolving their financial situation in order to re-activate their memberships.

3.4 Although it has been positive to provide additional time to retain some entities, as it became clear that some long-term suspended entities were not going to be re-engaged and settle their arrears, the Secretary-General approved the exclusion of 16 entities, suspended in 2012, effective 1 January 2014.

3.5 Results show that the number of Sector Members and Associates excluded at the beginning of 2014 decreased compared with Sector Members and Associates excluded in previous years. Also, the number of contributory units lost due to excluded Sector Members has significantly decreased, passing from 15 3/16 in 2008 to 1 1/8 in 2014. The number of excluded Associates decreased from 13 in 2008 to 2 in 2014.

3.6 Concerning the flexibility granted to the Secretary-General in the negotiation on debt payment terms of Sector Members in cases of mergers and acquisitions, results have been limited. In 2011 and 2012, this flexibility enabled the Secretariat to recuperate some arrears, which normally would have been difficult to recover, through the negotiation of repayment agreements with current members or entities that acquired ex-ITU Members with debts and that were interested in ITU membership. However, there were no cases in 2013 where these procedures would apply.

4 Recommendations

4.1 While there can be no disputing the fact that Resolution 152 has had positive results in terms of the management and follow-up of the defrayal of ITU expenses by Sector Members and Associates, it is also clear that its strict application can lead to certain difficulties, particularly with regard to flexibility in the recovery of arrears and improving the Union's membership and financial situation.

4.2 In that regard, the Council is requested, bearing in mind the current financial situation of the Union, the current global economic climate and experience gained in implementation of Resolution 152 (Rev. Guadalajara, 2010) to maintain the flexibility granted to the Secretary-General, concerning automatic removal of Sector Members, Associates and Academia and to continue with efforts undertaken, with annually reporting the results achieved to the Council.

4.3 While experience has showed that flexibility has been useful to provide additional time to retain some entities, at the beginning of 2014, the Secretary-General removed 16 entities from the list of ITU Membership, effective 1 January 2014, as it was clear that they were unlikely to be re-engaged and repay their dues. It is recommended to follow the same process every year.

4.4 The Council may wish to extend the flexibility granted to the Secretary-General concerning the negotiation of Sector Member debts in cases of mergers and acquisitions, given that, although results have been limited until now, it has enabled the Secretariat to recover some arrears and may enhance future opportunities to attract new Sector Members.

4.5 Furthermore, the Council may wish to emphasize a strengthening of the support provided by administrations to the Union's Secretariat with a view to obtaining settlement of arrears by Sector Members and Associates whose admission they endorsed.
