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| **Council 2019 Geneva, 10-20 June 2019** |  |
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| **Agenda item: ADM 8** | **Document C19/11-E** |
| **18 April 2019** |
| **Original: English** |
| Report by the Secretary-General | |
| ARREARS AND SPECIAL ARREARS ACCOUNTS | |

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| Summary  The Plenipotentiary Conference (Dubai, 2018) 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  979 692.61** of interest on arrears and irrecoverable debts;  3) to **adopt** the draft decision attached in Annex B.  \_\_\_\_\_\_\_\_\_\_\_\_  References  [*CS 169*](https://www.itu.int/en/council/Documents/basic-texts/Constitution-E.pdf), [*CV 474*](https://www.itu.int/en/council/Documents/basic-texts/Convention-E.pdf),[*Resolutions 41 (Rev. Dubai, 2018)*](https://www.itu.int/en/council/Documents/basic-texts/RES-041-E.pdf) *and* [*152 (Rev. Busan, 2014)*](https://www.itu.int/en/council/Documents/basic-texts/RES-152-E.pdf)[*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 2018

1.1 The status of arrears and special arrears accounts at 31 December 2018 is detailed in Annex C to the Financial Operating Report for the 2018 financial year ([Document C19/42](https://www.itu.int/md/S19-CL-C-0042/en)). The changes in arrears, special arrears accounts and cancelled special arrears accounts since 2011 are given in Annex A of 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 2011 and 2018 (see Annex A). Thus, the total of arrears, special arrears accounts and cancelled special arrears accounts fell from CHF 61.5 million at 31 December 2011 to CHF 39.8 million at 31 December 2018, a decrease of 35 per cent.

1.3 Attention is also drawn to the improvement in the status of arrears in relation to last year. At 31 December 2017, total arrears amounted to CHF 45.3 million. Thus, there was a decrease of 12 per cent in 2018 in relation to 2017.

# 2 Actions taken with a view to the settlement of arrears and special arrears accounts and implementation of [Resolution 41 (Rev. Dubai, 2018)](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 2018, interest of CHF 1 694 439.00 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 Academia 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. Dubai, 2018), six new special arrears accounts with Member States were opened by the Secretary-General in 2018. The Secretary-General thus signed four fifteen-year repayment schedules with Gambia, Guinea-Bissau, Liberia and Sierra Leone and two ten-year repayment schedules with the Republic of Congo and Gabon.

2.10 The Administration of Equatorial Guinea 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 six other accounts had been cancelled prior to 2018. The Member States (Equatorial Guinea & Nicaragua) as well as the Entities concerned (Apprentissages sans Frontières (Switzerland), Cameroon Telecommunications (CAMTEL), Ellipsat Inc. (USA) and Telecommunication Information Technology (TIT, Lebanon)) are thus obliged to negotiate new repayment schedules 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, 26 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). The operator Global Information Systems (GIS), Russian Federation paid its debt in July 2018 (CHF 198 096.00). A request to write off interest of arrears (CHF 156 663.86) is submitted to Council 2019.

2.13 Under Resolution 41 (Rev. Dubai, 2018), 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 2018, the balance of the Reserve for Debtors' Accounts stood at CHF 42.2 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 979 692.61**, 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 27 830.70 owed by Benin, which completed its ten-year repayment schedule.

3.2.2 CHF 5 402.50 owed by Comoros, which settled its 2014-2017 contributions.

3.2.3 CHF 23 995.75 owed by Egypt, which settled its 2017 and 2018 contributions.

3.2.4 CHF 36 204.20 owed by the company Systel (Egypt), which completed its three-year repayment schedule.

3.2.5 CHF 72 902.74 owed by the Federation of Saint-Kitts and Nevis, which completed, in advance, its ten-year repayment schedule.

3.2.6 CHF 156 663.86 owed by the company Global Information Systems GIS (Russian Federation), which settled its 2003 Satellite invoices (Re. Decision 545, Council 2007).

3.2.7 CHF 8 727.20 owed by Senegal, which settled its 2018 contribution.

3.2.8 CHF 6 954.45 owed by the company Sri Lanka Telecom Ltd. (Sri Lanka), which settled all its outstanding contributions.

Total interest on arrears is **CHF 338 681.40.**

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

|  |  |
| --- | --- |
| **Country** | **Company Name** |
| Canada | The Institute of Mobile Technologies, Toronto-Ontario |
| Guinea | SOTELGUI (Société des Télécommunications de Guinée), Conakry |
| India | Shyam Telecom Limited, Gurgaon |
| India | Mahanagar Telephone Nigam Ltd. (MTNL), New Delhi |
| India | TranSwitch India Pvt. Ltd., New Delhi |
| Pakistan | Pakistan Institute of Human Rights, Islamabad |
| Saudi Arabia | Bayanat Aloula for Network Services, Riyadh |
| Sweden | UpZide Labs AB, Lulea |
| USA | Overture Networks, Morrisville |
| USA | Dynastat, Inc. Austin |
| USA | ESS Technology, Inc., Milpitas |
| USA | Lightsand Communications Inc., Plano |
| USA | Sigma Designs, Inc., Fremont |
| USA | Terabust Networks Inc., Sunnyvale |
| USA | Zhone Technologies (Ex. Net to Net Technologies), Oakland |
| USA | Zhone Technologies (Ex. Tellium Inc.), Oakland |

These debts amount to a total of **CHF 641 011.21.** Please see Annex B which has further details.

ANNEX A

Changes in arrears and special arrears accounts

(in CHF thousands)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Situation at 31 December** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
|  |  |  |  |  |  |  |  |  |
| **Member States** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Contributions | 12,917 | 10,542 | 10,141 | 7,825 | 8,450 | 10,070 | 9,639 | 8,683 |
|  |  |  |  |  |  |  |  |  |
| Publications | 140 | 49 | 49 | 36 | 36 | 36 | 37 | 40 |
|  |  |  |  |  |  |  |  |  |
| Total | 13,057 | 10,591 | 10,190 | 7,861 | 8,486 | 10,106 | 9,676 | 8,723 |
|  |  |  |  |  |  |  |  |  |
| **Sector Members & others** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Contributions | 19,149 | 17,758 | 16,484 | 16,729 | 16,300 | 15,367 | 13,938 | 11,213 |
|  |  |  |  |  |  |  |  |  |
| Publications | 2 | 4 | 5 | 9 | 12 | 6 | 5 | 52 |
|  |  |  |  |  |  |  |  |  |
| Total | 19,151 | 17,762 | 16,489 | 16,738 | 16,312 | 15,373 | 13,943 | 11,265 |
|  |  |  |  |  |  |  |  |  |
| ***Contributions*** | ***32,066*** | ***28,300*** | ***26,625*** | ***24,554*** | ***24,750*** | ***25,437*** | ***23,577*** | ***19,896*** |
|  |  |  |  |  |  |  |  |  |
| ***Publications*** | ***142*** | ***53*** | ***54*** | ***45*** | ***48*** | ***42*** | ***42*** | ***92*** |
|  |  |  |  |  |  |  |  |  |
| **TOTAL ARREARS** | **32,208** | **28,353** | **26,679** | **24,599** | **24,798** | **25,479** | **23,619** | **19,988** |
|  |  |  |  |  |  |  |  |  |
| **REPAYMENT AGREEMENTS** | **9,686** | **15,919** | **10,019** | **18,392** | **15,823** | **8,094** | **7,601** | **17,229** |
|  |  |  |  |  |  |  |  |  |
| **CANCELLED REPAYMENT AGREEMENTS** | **18,932** | **15,587** | **17,768** | **8,582** | **10,418** | **12,547** | **13,394** | **2,111** |
|  |  |  |  |  |  |  |  |  |
| **SATELLITE NETWORK FILINGS** | **620** | **641** | **571** | **577** | **563** | **584** | **584** | **384** |
|  |  |  |  |  |  |  |  |  |
| **MISCELLANEOUS INVOICES** | **92** | **76** | **65** | **72** | **71** | **68** | **66** | **63** |
|  |  |  |  |  |  |  |  |  |
| **Total** | **61,538** | **60,576** | **55,102** | **52,222** | **51,673** | **46,772** | **45,264** | **39,775** |

This table does not include current debtors (i.e. 2018), representing a sum of CHF 10 365 000 at 31 December 2018, which brings the total amount to CHF 50 140 000.

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 C19/11](https://www.itu.int/md/S19-CL-C-0011/en)),

decides

to approve the writing off of the following interest on arrears and irrecoverable debts in the amount of **CHF 979 692.61** 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** |
| Benin | Autorité de Régulation des Communications Electroniques et de la Poste (ARCEP-BENIN) | 2002-2011 | 0.00 | 27,830.70 | 27,830.70 |
| Comores | Autorité Nationale de Régulation des TIC (ANRTIC) | 2014-2017 | 0.00 | 5,402.50 | 5,402.50 |
| Egypt | Ministry of Communications and Information Technology (MCIT) | 2017-2018 | 0.00 | 23,995.75 | 23,995.75 |
| Egypt | Systel, Cairo | 2004-2006 | 0.00 | 36,204.20 | 36,204.20 |
| Federation of Staint Kitts and Nevis | Ministry of Justice, Legal Affairs and Communications | 2007-2015 | 0.00 | 72,902.74 | 72,902.74 |
| Russian Federation | Global Information Systems GIS, Moscow | 2003 | 0.00 | 156,663.86 | 156,663.86 |
| Senegal | Autorité de Régulation des Télécommunications et des Postes (ARTP) | 2018 | 0.00 | 8,727.20 | 8,727.20 |
| Sri Lanka | Sri Lanka Telecom Ltd., Colombo | 2002-2012 | 0.00 | 6,954.45 | 6,954.45 |
| ***Sub-total 3.2*** | | | **0.00** | **338,681.40** | **338,681.40** |
| Canada | The Institute of Mobile Technologies, Toronto-Ontario | 2011-2012 | 4,306.25 | 2,031.30 | 6,337.55 |
| Guinea | SOTELGUI (Société des Télécommunications de Guinée), Conakry | 2010-2012 | 4,519.23 | 2,393.25 | 6,912.48 |
| India | Shyam Telecom Limited, Gurgaon | 2010-2012 | 3,975.00 | 1,893.30 | 5,868.30 |
| India | Mahanagar Telephone Nigam Ltd. (MTNL), New Delhi | 2012 | 35,775.00 | 16,875.55 | 52,650.55 |
| India | TranSwitch India Pvt. Ltd., New Delhi | 2012 | 10,600.00 | 5,000.20 | 15,600.20 |
| Pakistan | Pakistan Institute of Human Rights, Islamabad | 2012-2013 | 4,968.75 | 2,176.40 | 7,145.15 |
| Saudi Arabia | Bayanat Aloula for Network Services, Riyadh | 2005-2008 | 3,975.00 | 3,245.65 | 7,220.65 |
| Sweden | UpZide Labs AB, Lulea | 2009 | 10,600.00 | 6,928.35 | 17,528.35 |
| USA | Overture Networks, Morrisville | 2008-2009 | 21,200.00 | 15,305.90 | 36,505.90 |
| USA | Dynastat, Inc. Austin | 2016 | 7,950.00 | 1,317.65 | 9,267.65 |
| USA | ESS Technology, Inc., Milpitas | 2004 | 31,800.00 | 37,871.05 | 69,671.05 |
| USA | Lightsand Communications Inc., Plano | 2001-2002 | 7,875.00 | 10,647.75 | 18,522.75 |
| USA | Sigma Designs, Inc., Fremont | 2017-2018 | 6,183.33 | 74.20 | 6,257.53 |
| USA | Terabust Networks Inc., Sunnyvale | 2007 | 51,816.30 | 56,854.95 | 108,671.25 |
| USA | Zhone Technologies (Ex. Net to Net Technologies), Oakland | 2002-2003 | 57,750.00 | 79,669.55 | 137,419.55 |
| USA | Zhone Technologies (Ex. Tellium Inc.), Oakland | 2004-2005 | 63,000.00 | 72,432.30 | 135,432.30 |
| ***Sub-total 3.3*** | | | **326,293.86** | **314,717.35** | **641,011.21** |
| **Grand Total** | | | **326,293.86** | **653,398.75** | **979,692.61** |

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