

REPORT OF THE FINANCE COMMITTEE

1. The APPU Finance Committee was chaired by Australia during the APPU-EC meetings on Tuesday, 16 June 2020, through a virtual meeting. Finance Committee members in attendance were Australia, China, India, Japan, Korea, New Zealand, and Thailand with an absence from Pakistan.
2. The Finance Committee reviewed a number of issues including:
 - (a) Finances of the Union, being the 2019 audit report and the proposed budget for 2021 as reported by the Secretary General (reference Doc 5);
 - (b) the improved situation on unpaid membership contributions (reference Doc 5.1);
 - (c) a review of the Administrative Section Reserve Fund (ASRF) in terms of actions required when budgets are in the approval process (Doc 5.2);
 - (d) an update on priority projects (general status and expenditure) (Doc 5.3 and Annexes);
 - (e) an update on Finance Committee matters still under action (the provision of funds for the Secretary General to attend POC plenary sessions, and the review of Nauru's request for contribution reassessment((reference Doc 5.4);
 - (f) an update on the state of the Union's finances (Doc 5.5); and
 - (g) proposed solutions to manage financial risk exposure as a result of currency exchange fluctuations (reference Doc 5.6).
3. The APPU Bureau was represented by Secretary General and the Manager Administration and APPU Affairs.

EC 2020 Doc 5

Audited accounts for the Administrative Section for 2019 Draft budget for the Administrative Section for 2021

4. The outcome of the 2019-20 review recommending inclusion of the Secretary General's travel to the UPU Congress, as well as travel to the plenary sessions of the Council of Administration (CA) and Postal Operations Council (POC) meetings, was noted, recognising the importance of such attendance.
5. A request for clarification of the proposed 15% increase in general operations was made. The APPU Bureau explained that the full detail is provided in EC 2020 Doc 5 Annex 2. The main factor is the increase in consultancy fee for the work on Reform of the APPU; it increases from US \$19k to US \$35k. This is the result of the addition of a major assignment from the High Level Strategic Discussion, noting also that the 2021 budget will cover the expenditure change from 2020, rather than applying to change the 2020 budget after its approval at the Tokyo APPU-EC Meeting.

6. The Committee approved the 2019 audit report and the 2021 budget.

EC 2020 Doc 5.1

Updated position on unpaid membership contributions

7. The Finance Committee commended the work of the APPU Bureau, particularly Ms Kwanjai, in recovering unpaid membership contributions, noting that only one country (Nauru) remains in arrears from 2013, which will be addressed as a separate action item.¹ At the conclusion of the action considering Nauru's contribution and related issues, the APPU will form a view as to how old debt will be considered, and any future steps necessary. The APPU Bureau will coordinate with the Working Group noted in EC 2020 Doc 5.4, which is expected to have an outcome by August.
8. The document was noted.

EC 2020 Doc 5.2

Administrative Section Reserve Fund (ASRF): Budget Process Requirements

9. The Committee noted the document alongside the other points raised in the discussion of the budget.
10. The Committee acknowledged that the ASRF had a healthy balance and did not require replenishment action via the 2021 budget. Further, the Committee agreed that there was no need to change the minimum financial level required for the ASRF.

EC 2020 Doc 5.3

Projects, funded from Reserve Funds, approved at Tokyo EC / GB meetings: update report

EC 2020 Doc 5.3 Annex 1

Renovation of APPU Bureau, including dormitories and apartments

EC 2020 Doc 5.3 Annex 2

Bureau IT upgrade

EC 2020 Doc 5.3 Annex 3

Archiving

11. The reprioritisation and rescaling of projects was discussed, with observations made of the impact of COVID-19 not only on the immediate use of the postal stream, but also on the potential long-term impacts on member countries' GDP. The APPU was asked to note the reasons for priority being given to some renovations to ensure that only critical aspects were being upgraded. The Chair noted that along with balancing the sustainability of the APPU with the already approved projects, the APPU Bureau has considered how spend reduction on the approved projects could take place.
12. The Secretary General noted that re-working expenditure to achieve critical work while still protecting APPU finances came with a high degree of challenge. Compared to the Bureau's Training Section, the Administrative Section is stronger and much better off in relation to COVID-19. That said, efforts continue to reduce costs across all APPU areas. Regarding projects approved by the EC last year, being renovation, archiving work, IT upgrades, and the High-Level Strategic Discussion, the Bureau has taken steps to
- (i) postpone some parts of projects;

¹ There is currently no scope to forgive historic debt related to unpaid member contributions i.e., there is no provision in the APPU Constitution or General Regulations to do this. The UPU has the same issue but may make changes at its next Congress to permit historic debt being forgiven; if this does occur then it may facilitate the APPU following in like manner.

- (ii) cancel some part of projects, e.g. at the Tokyo EC meeting, the renovation proposal that adopted in principle, related to the entire premises occupied by the Bureau (i.e., Floors 1, 2, 3, 6A and 6B). Now, the revised plans only cover parts of Floors 2, 6A and 6B.
 - (iii) adjust project plans that, in turn, reduce the call for funds from the ASRF e.g., the IT upgrade work is directly linked to the planned renovation work. Hence downsizing the renovation project will remove costs from the IT upgrade project;
 - (iv) utilise APPU Bureau for most tasks involved in the Archiving project. This will save money, but it will create additional workload for APPU Bureau staff; and
13. On the question of projects deserving expenditure priority, the Secretary General noted, as an example, that for Archiving the project will be dealing with work that should have been done over 50 years ago when the Union was founded, and again when the Administrative Section relocated from Manila to Bangkok 20 years ago. Apart from being well overdue, the longer it continues to be ignored the more it will cost to undertake.
14. In response to concerns expressed by India (i.e., that the Bureau should detail project activities that are cancelled or postponed, and other initiatives taken that reflect care in spending ASRF money), the Bureau undertook to report on actual project costs versus initial intentions. Detailed information will be offered later once exact calculations have been prepared and documented cost savings can be provided.
15. The Finance Committee noted the Bureau's proposals and expressed its appreciation for reviewing work plans, noting that full consideration of spend would still be needed. It was also noted that before the EC meeting, details of the savings should be provided, including reasons why these works cannot be avoided.
16. The document was otherwise noted.

EC 2020 Doc 5.4

Update on items currently open

17. The Finance Committee noted the work done reviewing the addition of a small amount of funds for the Secretary General to attend plenary sessions of the CA and POC, noting there are valid reasons for representation of the APPU in Berne. The Committee agreed that the process for authorising representation of the Union is a matter that the EC should take up and this will be recommended at the EC session in July.
18. The request for a reduction in contribution amount made by Nauru was noted, as was the intention to set up a physical meeting to review documents and discuss the proposed way forward. The arrival of the COVID-19 situation delayed work in this area, and members of the Working Group will now meet online before the end of August. It was noted that some additional documentation will be needed for the online discussion.
19. The document was noted.

EC 2020 Doc 5.5

Update report on Union's finances

20. The Finance Committee noted that earlier documents and comments on the Union's finances were to be considered alongside this document.
21. No further comments were made, and the document was noted.

EC 2020 Doc 5.6	Foreign exchange management – update on proposed solution
EC 2020 Doc 5.6 Add 1	Foreign exchange management (detailed document prepared for Governing Board)

22. The Finance Committee noted the solutions proposed to manage the exchange rate exposure.
23. The Finance Committee noted the Administrative Section has the same exchange rate exposure as the Training Section.
24. The Finance Committee approved the solution proposed to minimise exchange rate issues as presented by the Bureau.

Recommendations for the EC

25. The Finance Committee recommends the EC:

- (a) **Approve** the 2019 auditor's financial report;
- (b) **Approve** the proposed 2021 APPU Bureau (Administrative Section) Budget;
- (c) **Note** the improved situation on recovery of unpaid contributions;
- (d) **Note** that projects funded through use of the reserve funds will be reprioritised in recognition of the impacts of COVID-19, with the next EC meeting being updated on formal costings and reprioritisation;
- (e) **Note** work open
 - reviewing the importance of the SG's attendance at CA and POC plenary sessions;
 - that the EC should review the process for authorising representation at UPU meetings;
 - Nauru's request for a review of contribution amounts and debts in arrears is expected to be completed by August, and
- (f) **Note and Approve** proposals to manage the exposure caused by foreign exchange fluctuations.

Bhavana Chhagan - Australia
Chair
APPU Finance Committee
16 June 2020, Zoom virtual meeting