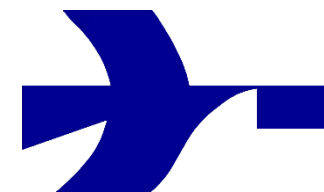


# Finance Committee Meeting

Presentation by Ms. Kwanjai Kajornwuttideth  
Manager Administration and APPU Affairs, APPU Bureau

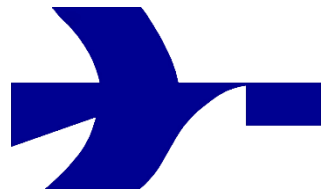
ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL  
22 June 2021 , Online Session



# Structure of Bureau Documents

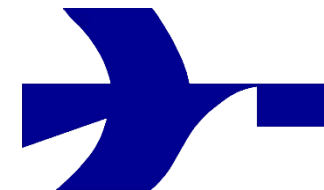
- **Standard documents presented each year**
  - Doc 5 – main summary
  - Doc 5, Annex 1 – Audit report
  - Doc 5, Annex 2 – Proposed budget for 2022
- **Documents relating only to specific issues in 2021**
  - Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and the waiving of arrears
  - Doc 5.2 - Foreign exchange management in the Administrative Section
  - Doc 5.3 - Administrative Section Reserve Fund (ASRF)
  - Doc 5.4 – Review of cost allocations between the Administrative and Training Sections for Bureau staff

## Doc 5 Annex 1 – Auditor's report of 2020 for the Administrative Section



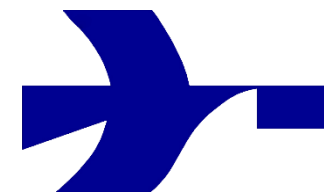
- Auditor regards the financial statements for 2020 as a fair representation of the Administrative Section's position
- The remaining balance of Administrative Section Reserve Fund (ASRF) at the end of 2020 is US\$312,943.96
- Bureau has no issues to bring to the attention of the Finance Committee

# Main aspects of the 2022 Budget – Doc 5 Annex 2 (1)



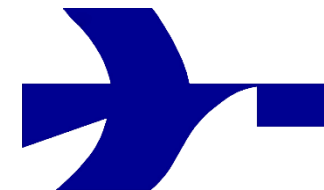
- Proposed budget in 2022

Budget	2022 (US\$)	2021 (US\$)
Staff cost	109,644.00	109,212.00
Overtime	300.00	300.00
Travel expenses	27,400.00	27,460.00
Retirement fund	9,531.00	13,509.00
Retirement tax for local staff	3,439.00	3,387.00
Medical expenses	2,530.00	2,400.00
General operations	57,100.00	57,600.00
<b>Total</b>	<b>209,944.00</b>	<b>213,868.00</b>



## Main aspects of the 2022 Budget – Doc 5 Annex 2 (2)

- Key points
  - Generally, the comparison between 2021 and 2022 is stable – Notes provide explanations where necessary
  - Minimal movement in salaries reflects actual CPI of 0% in 2021 (v budgeted factor of 0.71%)
- Contribution unit unchanged at the proposed level of US\$2,650

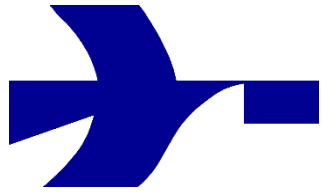


## 2020 Audit and 2022 Budget – Doc 5 Annexes 1 and 2

### Decisions expected

- **approve** the 2020 auditor's financial report
- **approve** the proposed 2022 budget
- **note** that each of the decisions expected for the additional documents will be dealt with separately to Doc 5

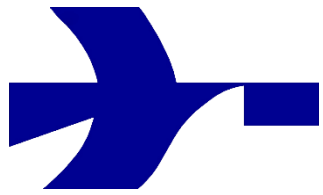
## **Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (1)**



### **Two issues raised by Nauru**

1. Reduction in annual contribution
2. Waiving of arrears

## **Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (2)**

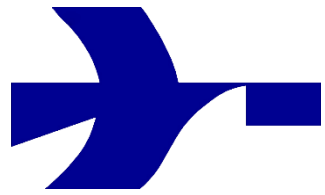


### **A preliminary assessment regarding the waiving of arrears**

- (i) There is currently no provision in the APPU Acts to waive arrears.
- (ii) The APPU takes its lead regarding arrears from the UPU.
- (iii) The UPU is currently finalising proposals on arrears for decision at its Congress.
- (iv) The best course of action is to wait until the UPU Congress has made its decision on waiving arrears.



## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (3)

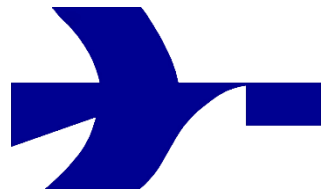


### What the FC has been asked to do?

The 2019 Tokyo EC asked the Finance Committee to do four things:

- Verify the principles followed for the possible creation of a new 0.5 contribution class
- Verify the initially-compiled data and calculations (Appendix 1 of EC 2019 Doc 5.1)
- Provide the EC with an opinion on the creation of the new 0.5-unit contribution class
- Comment on how any confirmed anomalies in current APPU contribution unit classification might best be dealt with

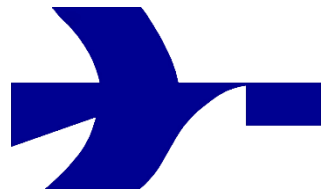
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (4)



### Where are we today with the Nauru request?

- The contributions systems (APPU and UPU) have been thoroughly researched. Why?
  - the Nauru request is not a simple question – it is complex
  - good research leads to good decisions
- The Bureau has been able to provide the FC with answers on the four matters the FC was requested to deal with

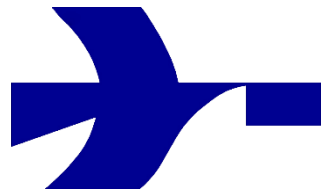
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (5)



### What is the key background?

- Nauru is a small economy, and this has led to issues in meeting international membership obligations
- Nauru must seek concessions wherever it can
- The UPU in 2018 reduced the unit contribution Nauru by 90% from 1.0 unit to 0.1 unit
- Nauru is seeking a reduction in the APPU to a lower level (but has not asked for the 90% reduction that the UPU granted). However, it is clear that comparisons are being made between the APPU and UPU contribution systems – so we need to address that relationship quite thoroughly.

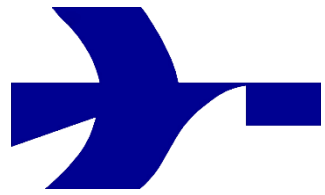
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (6)



### Where has the Bureau's research taken us?

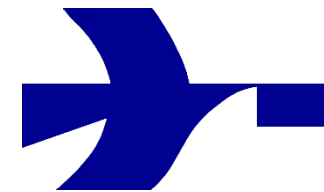
- The two contribution systems – APPU and UPU – have few similarities
- The differences are major and provide little, if any, support for a reduction in APPU contribution class
  - UPU has a wide range of contribution classes – APPU does not
  - UPU had modified its system in recent years – APPU has not
  - UPU system focuses on financial differentiation between members – APPU system is based on minimal financial differentiation e.g.,
    - in the UPU the highest contribution class is 500 times the lowest class
    - in the APPU the highest contribution class is 5 times the lowest class

## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (7)



### What is the summary of the research on APPU and UPU systems? - 1

- A comparison with the UPU contribution system will not provide a compelling basis to create a reduced contribution unit for Nauru
- However, the APPU contribution system has never been seriously looked at and reviewed as far as the Bureau can tell
  - it should be reviewed
  - the APPU system has stood still while others have adapted to changes in
    - financial structures
    - expenditure streams
    - members' financial situations

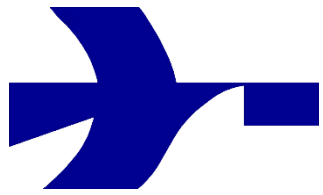


## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (8)

What is the summary of the research on APPU and UPU systems? - 2

Number of Contribution Classes				
1962		2021		Observation
UPU	APPU	UPU	APPU	
7	3	23	4	In 59 years, the groupings have moved from: 7 UPU classes grouped into 3 APPU classes to 23 UPU classes grouped into 4 APPU classes

# Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (9)

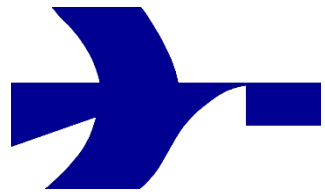


What is the summary of the research on APPU and UPU systems? - 3

Ratios between Highest and Lowest Contribution Unit Classes						
Year	UPU			APPU		
	Highest Class (Units)	Lowest Class (Units)	Ratio (H:L)	Highest Class (Units)	Lowest Class (Units)	Ratio (H:L)
1962	25	1	25:1	7	1	7:1
2021	50	0.1	500:1	5	1	5:1

Observation	UPU H:L ratio increased by 1900%	APPU H:L ratio decreased by 29%
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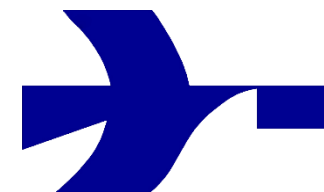
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (10)



### What is Nauru seeking?

- The Nauru request is for a “contribution level that can be afforded by Nauru”
- Unfortunately, “affordability” is not something the Bureau could calculate
  - some research was done - but no conclusions could be made



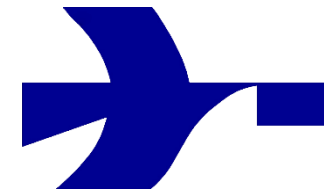


# Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (11)

## Affordability – “comparison and ratio method” – 1

Nauru Contribution to APPU if We Applied % Contribution to UN or UPU			
Organisation	Nauru Contribution (\$US)	Nauru Contribution as % of Total Budget of UN / UPU	Equivalent Contribution to APPU (\$US)
UN General Budget 2020	30,846	0.001	7
UPU General Budget 2019	4,900	0.012	25

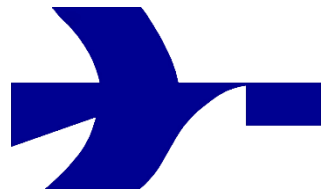
# Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (12)



## Affordability – “comparison and ratio method” – 2

Nauru Contribution to APPU if We Applied 2018 Addis Ababa Reduction			
APPU Contribution Base	Current Value (\$US)	Adjustment	New Contribution (\$US)
2 units	5,300	10% of contribution class (i.e., the 2018 UPU change)	530
1 unit	2,650	10% of contribution class (i.e., the 2018 UPU change)	265

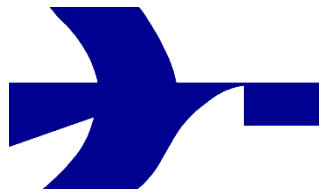
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (13)



### Options for going forward - 1

- No credible guidance in the UPU contributions system (i.e., mathematical process)
- No credible guidance using examples from other agencies (comparison and ratio method)
- “Broad principle” method i.e., UPU has recognised the significantly reduced financial capacity of members with low populations and low levels of industrial development
  - the Bureau believes that the APPU cannot ignore this

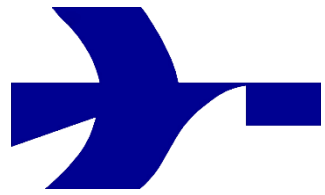
## **Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (14)**



### **Options for going forward - 2**

- If the Union wishes to follow the broad principle established by the UPU in 2018, then a 0.5-unit class might be an appropriate interim solution
- The overall contribution system needs to be reviewed – this has never happened despite significant changes in
  - financial structures
  - expenditure streams
  - members' financial situations

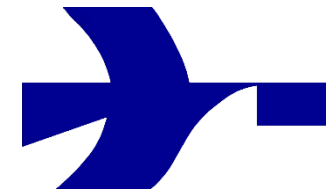
## **Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (15)**



**If we make a change for Nauru .... what do we need to know?**

- Congress would need to amend Article 116 of the APPU General Regulations
- Two other members – Samoa and Tonga – also qualify for the UPU 0.1-unit class – and should be offered the interim 0.5-unit class in the APPU
- The financial impact on all members would need to be understood

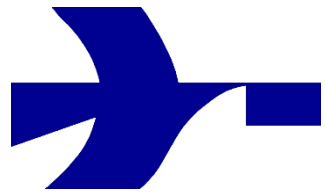
# Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (16)



**Topline summary of financial impact for a reduced contribution class, set nominally at 0.5 units (figures are based on the 2020 unit of US\$2,650)**

Member	Current Contribution	New Contribution	Change
Nauru	US\$2,650	US\$1,368	Reduction of US\$1,282
Samoa	US\$2,650	US\$1,368	Reduction of US\$1,282
Tonga	US\$5,300	US\$1,368	Reduction of US\$3,932
1 unit contributors	US\$2,650	US\$2,737	Increase of US\$87
2 unit contributors	US\$5,300	US\$5,473	Increase of US\$173
3 unit contributors	US\$7,950	US\$8,210	Increase of US\$260
4 unit contributor	US\$10,600	US\$10,946	Increase of US\$346
5 unit contributors	US\$13,250	US\$13,683	Increase of US\$433

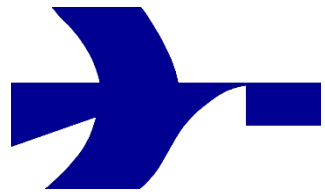
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (17)



### General observations – 1

- The Bureau compiled a schedule of key data for the 32 APPU members (EC 2021 Doc 5.1, Appendix 3)
  - done for visibility and accuracy of base information
  - there are some points arising that should be taken up by the Bureau with individual members where applicable

# Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (18)

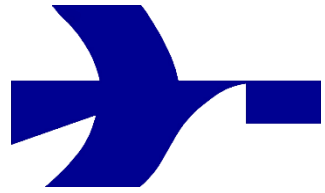


## General observations – 2

- Bureau research showed many members contribute much more (financially) to the APPU than the fees generated through the contribution class system
- The overall financial management of the Bureau is fragmented
- All members, via a comparatively small contribution, can access the full resources of the Bureau without having to necessarily participate in the cost of the full resources. This is a complex matter that has developed over a period of 44 years
- The Nauru request has been the first detailed examination of the Union's financial system for some years (perhaps since the Union began). The next EC (2022-2026) may wish to review the system in detail to confirm either:
  - continued relevance of the current funding arrangements; or
  - proposals to modify



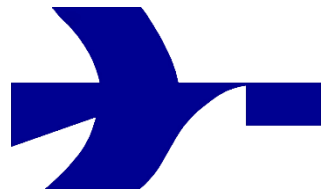
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (19)



### Decisions expected - 1

- **note** the two requests from Nauru
- **note** the matter of waiving arrears is deferred until the UPU Congress deals with this issue in its financial system

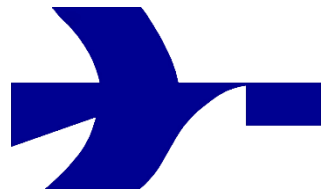
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (20)



### Decisions expected - 2

- **note** the following responses to the four questions that the Finance Committee was asked to deal with
  - (i) that there is no relationship between the contribution systems of the UPU and APPU on which to base a reduction in contribution unit to a level of 0.5 units (or to any other level below 1 unit)
  - (ii) that the preliminary calculations undertaken by the Bureau in 2019 on the impact of a reduction in contribution unit are correct and have been updated

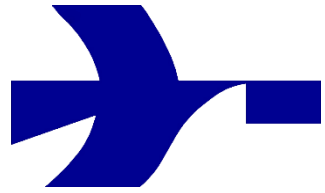
## Doc 5.1 - Request from Nauru for a reduction in contribution class for the expenses of the Union, and waiving of arrears (21)



### Decisions expected - 3

- (iii) that despite the absence of any relationship between the UPU and APPU systems for establishing a reduced contribution class, there is a significant disparity between the two systems that warrants serious consideration of a 0.5-unit class
- (iv) that the opinion of the Finance Committee is to create a 0.5-unit contribution class
- (v) that there have been no anomalies found in the contribution system review that require highlighting in EC 2021 Doc 5.1
- **recommend** to the 2022 APPU Congress that a full review be undertaken of the financial contributions system

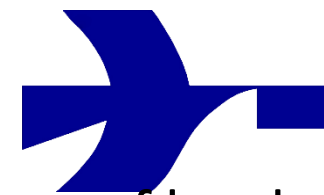
## Doc 5.2 - Foreign exchange management in the Administrative Section (1)



### Introduction

- Exchange rate variations have been an ongoing frustration for the Training Section (TS)
- 2019 Tokyo EC meeting requested the TS to review (again) and put a solution in place
- Bureau completed a review and implemented a changed process in 2020 for the TS – the very successful outcome was reported to the 2021 GB
- The changed process in the TS is referred to as Foreign Exchange Management (FEM)
- Based on the work done for the TS, the 2020 EC meeting approved a similar review being undertaken for the Administrative Section (AS)
- EC 2021 Doc 5.2 reports on FEM in the AS

## Doc 5.2 - Foreign exchange management in the Administrative Section (2)

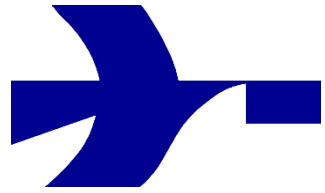


The practice of holding funds in USD means the Bureau continually risks the loss of local currency value according the exchange rate history in the past 20 years.



\*Source of picture <https://fxtop.com/en/historical-exchange-rates.php?A=1&C1=USD&C2=THB&DD1=01&MM1=01&YYYY1=2000&B=1&P=&I=1&DD2=28&MM2=12&YYYY2=2020&btnOK=Go%21>

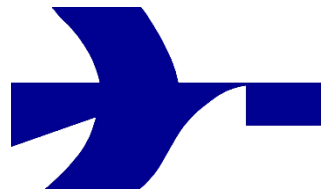
## Doc 5.2 - Foreign exchange management in the Administrative Section (3)



### .... and solution

- A very simple – and successful – solution implemented in TS
  - only retain USD sufficient to meet expenditure requirements in that currency.
  - convert (to Baht) any USD not required for expenditure in that currency.

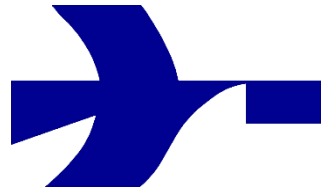
## Doc 5.2 - Foreign exchange management in the Administrative Section (4)



### Initial Assessment of TS Solution in AS

- AS has the same problem\* that TS had prior to introducing FEM in 2020 i.e.,
  - holding cash in USD until Baht needed, then converting USD to meet Baht requirement
  - Baht value of USD declines for unconverted USD held in bank account (due to increasing strength of Baht)
- Initial assessment is that FEM is suitable for AS, and should be implemented
- \* AS' problem is "hidden" because AS Audit Report is done in USD (whereas TS Audit Report is done in Baht)

## Doc 5.2 - Foreign exchange management in the Administrative Section (5)

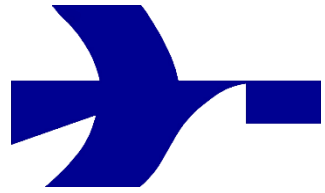


### However ....

- Initial assessment of AS also identified
  - internal Journal procedures for audit requirements
  - general reporting questions
- These need to be reviewed prior to changing the FEM process
  - review might require external expertise (too early to say)



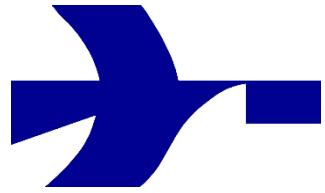
## Doc 5.2 - Foreign exchange management in the Administrative Section (6)



### Next steps

- Bureau will do as much of the review work as it can, working with Auditor
- If external assistance is required to review Journal and reporting issues, then external expert will be identified and hired (cost approval is covered in EC 2021 Doc 5.3)
- Plan is to complete the AS FEM work by December 2021
- FC will be updated on final outcome

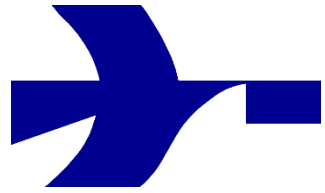
## Doc 5.2 - Foreign exchange management in the Administrative Section (7)



### Decisions expected – 1

- The EC, via the Finance Committee, is asked to:
  - **note** the successful introduction of a foreign exchange management process in the Training Section
  - **note** that the Training Section solution appears to be appropriate for implementation in the Administrative Section
  - **note** that internal procedures associated with audit requirements and some general reporting questions need to be reviewed prior to implementation of a solution

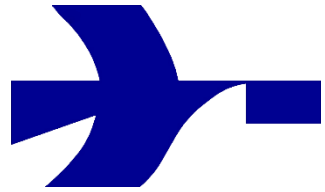
## Doc 5.2 - Foreign exchange management in the Administrative Section (8)



### Decisions expected – 2

- **note** the next steps in the review, including the possible use of an external expert to advise on internal procedures and general reporting
- **note** that any cost involved in using an external expert would be met from the Administrative Section Reserve Fund and that this expenditure is covered separately in EC 2021 Doc 5.3

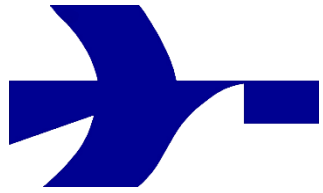
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (1)



### Introduction

- Three Administrative Section Reserve Fund (ASRF) matters
  - **Part 1:** current level of ASRF
  - **Part 2:** minimum financial level required and if there will be a need to call for funds to replenish it
  - **Part 3:** seeking approval for access to the ASRF for three expenditure proposals

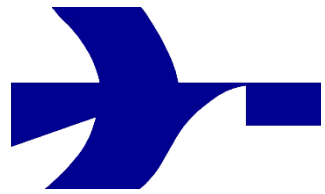
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (2)



### Part 1: current financial level of the ASRF

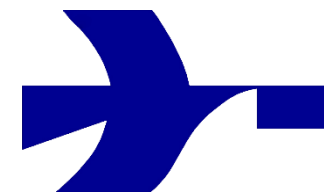
- 2020 AS Audit Report advises the ASRF at 31 December 2020 was US\$312,943.96

## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (3)



### Part 2: ASRF minimum financial level and position for replenishment - 1

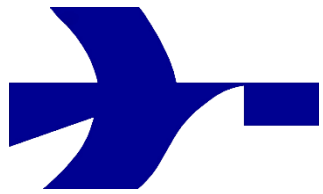
- The minimum financial level of the ASRF must be reviewed / calculated each year to:
  - update the EC on the adequacy of the ASRF to meet current and future financial needs
  - identify whether current budgeting process needs to include an expense item to replenish the ASRF



## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (4)

### Part 2: ASRF minimum financial level and position for replenishment - 2

Line No.	Item	Amount (US\$)	Comment
1	Minimum financial level required	<b>80,000</b>	Source: ASRF Operational Rule 2
2	Opening financial level on 1 January 2021	<b>312,944</b>	Source: 2020 AS Audit Report
3	Estimated spending from the ASRF from July 2021 to December 2022	<b>27,000</b>	Approval separately requested for this expenditure later in EC 2021 Doc 5.3
4	Changes to AS business in 2022 that might impact on minimum financial level required	<b>0</b>	None known of at the time of drafting Finance Committee documentation
5	Estimated closing balance of ASRF on 31 December 2021	<b>285,944</b>	Estimated closing balance is 257% above the minimum level required
6	Estimate of additional funding required to cover reasonable requirements in 2022	<b>0</b>	The ASRF has more than is necessary to cover reasonable requirements in 2022



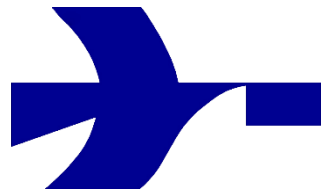
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (5)

### Part 2: ASRF minimum financial level and position for replenishment - 3

- From what we have just seen in the table on the previous slide, the Bureau will be asking the FC to recommend to the EC that it:
  - **retains** the minimum financial level for the ASRF at US\$80,000; and
  - **approves** no additional funds being necessary for the ASRF in the 2022 Administrative Section budget.

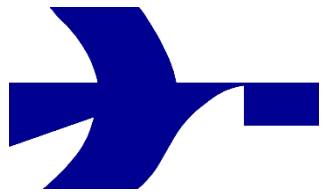


## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (6)



### Part 3: approval of expenditure from the ASRF - 1

- The operational rules for the ASRF set out the criteria and process for accessing the Fund
- 3 items of expenditure from the ASRF are submitted to the FC for consideration

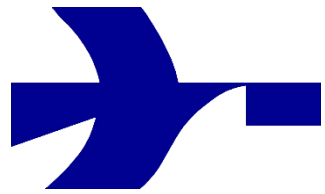


## **Doc 5.3 - Administrative Section Reserve Fund (ASRF) (7)**

### **Part 3: approval of expenditure from the ASRF - 2**

**The three expenditure items are:**

- Priority project: Archive management (US\$10,000)
- Milestone activity: APPU 60<sup>th</sup> Anniversary in 2022 (US\$10,000)
- Business practice strengthening: Foreign exchange management (US\$7,000)



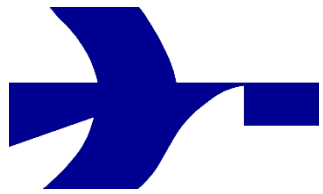
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (8)

### Part 3: approval of expenditure from the ASRF - 3

#### General reasons / comments for requesting expenditure approval

- Enables the Bureau to continue its business in real-time
  - anticipate financial needs but not be delayed until another budget process commences
- Amounts identified are maximum values - may or may not be spent, but gives the Bureau operating freedom to act when opportunity arises
- All three projects are one-off items – this is a standard use of a reserve fund (reduces the call on members for increased contributions in a particular year)
- Any access to funds would involve the Bureau's
  - disciplined approach to minimising costs; and
  - detailed reporting
- For ease of assessment, a standard format has been used

## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (9)

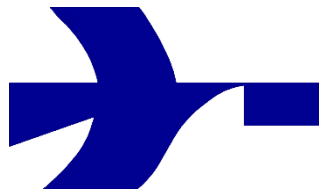


Expenditure Area		ID Name	ID Code	Expenditure Ceiling
Priority project		Archive management	ASRF 01	US\$10,000

Line	Discussion Point	Rule Reference	Comment
1	Activity description	N/A	Bureau has an urgent need to update its records management system and practices.
2	Approval requested	N/A	Final approval
3	Classification of activity	N/A	Basic business requirement.
4	ASRF criteria – purpose	3	Enables current archive management work to continue without delay. Meets four criteria set out in Rule 3.
5	Using the ASRF – consistency with purpose of the ASRF	11, (i)	Use of ASRF is consistent with the purpose of the Fund – see Line 4.
6	Using the ASRF – analysis of reasons for the funds	11, (ii) (a)	Yes, as set out in Lines 1 and 3.

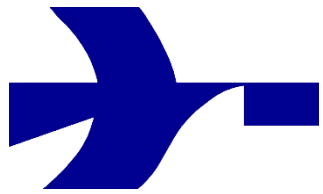
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (10)



Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Priority project	Archive management	ASRF 01	US\$10,000

Line	Discussion Point	Rule Reference	Comment
7	Using the ASRF – availability of other sources of funds	11, (ii) (b)	No other sources of funds are available, but considerable work has already been done using internal and member country resource. Project will continue to use internal resource as much as possible.
8	Using the ASRF – time for funds being required and then replenished	11, (ii) (c)	Use of funds may commence in 2021. ASRF is in surplus by more than US\$200,000. Replenishment will not be necessary.
9	Reporting and monitoring	15	Noted and understood.
10	If funds are declined - impact	N/A	The project would drift, and value created would be eroded. The project is demonstrating value to the business and is central to the work on review of regulations which has a Congress 2022 deadline.
11	Additional comment	N/A	ASRF 01 is a good example of the Bureau making savings over many years through not spending on basic business needs.

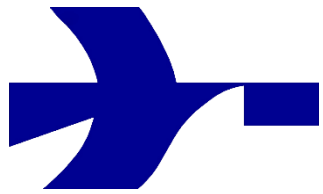
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (11)



Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Milestone activity	APPU 60 <sup>th</sup> Anniversary (2022)	ASRF 02	US\$10,000

Line	Discussion Point	Rule Reference	Comment
1	Activity description	N/A	The 60 <sup>th</sup> Anniversary of the founding of the APPU is in 2022. It is reasonable to celebrate the 60 <sup>th</sup> Anniversary, subject to extent and style being appropriate.
2	Type and timing of approval requested	N/A	The approval requested is “approval in principle”. Once details for the actual celebration have been developed, a consultation will be made to get final approval for the expenditure.
3	Classification of activity	N/A	This is milestone activity i.e., celebration of an event, an opportunity to showcase the Union. Expenditure would be strictly discretionary.
4	ASRF criteria - purpose	3	Meets one criterion in Rule 3 i.e., “to reduce the amount of member-countries’ contributions.”
5	Using the ASRF – consistency with purpose of the ASRF	11, (i)	Yes, as set out in Line 4.
6	Using the ASRF – analysis of reasons for the funds	11, (ii) (a)	Yes, as set out in Lines 1 and 3.

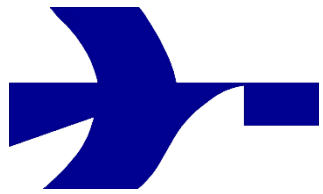
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (12)



Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Milestone activity	APPU 60 <sup>th</sup> Anniversary (2022)	ASRF 02	US\$10,000

Line	Discussion Point	Rule Reference	Comment
7	Using the ASRF – availability of other sources of funds	Rule 11, (ii) (b)	No other sources of funds are available, other than increasing the 2022 contribution unit by approx US\$140. The ASRF has been built up over decades from member contributions, it is appropriate to use it as opposed to setting an additional levy to cover the costs.
8	Using the ASRF – time for funds being required and then replenished	Rule 11, (ii) (c)	Use of funds may commence in 2021 depending on approval decisions. Replenishment will not be necessary.
9	Reporting and monitoring	Rule 15	Noted and understood.
10	If funds are declined - impact	N/A	The 60 <sup>th</sup> Anniversary would be celebrated using whatever budget could be spared from the 2022 finances. However, there are subjective considerations to take into account e.g., the “tough times” associated with Covid-19, the need to use “events” as a way of recognising members and staff. Further, it would look out of place to host a Congress in Thailand and not take that opportunity to acknowledge the 60 <sup>th</sup> year of the Union.

## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (13)

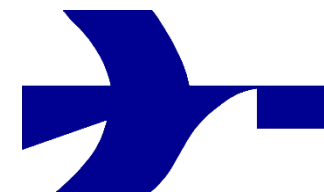


Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Business practice strengthening	Foreign exchange management	ASRF 03	US\$7,000

Line	Discussion Point	Rule Reference	Comment
1	Activity description	N/A	The key background to this activity is in EC 2021 Doc 5.2 – foreign exchange management (FEM) in the Administrative Section.
2	Type of approval requested	N/A	Final approval
3	Classification of activity	N/A	Business practice strengthening in financial management
4	ASRF criteria - purpose	3	Enables FEM work to continue without delay. Meets two criteria set out in Rule 3.
5	Using the ASRF – consistency with purpose of the ASRF	11, (i)	Yes, as set out in Line 4.
6	Using the ASRF – analysis of reasons for the funds	11, (ii) (a)	Yes, as set out in Lines 1 and 3.

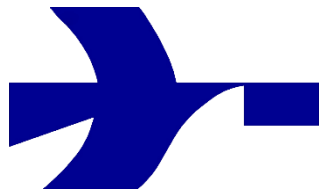


## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (14)



Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Business practice strengthening	Foreign exchange management	ASRF 03	US\$7,000

Line	Discussion Point	Rule Reference	Comment
7	Using the ASRF – availability of other sources of funds	11, (ii) (b)	There are no other sources of funds available, other than increasing the 2022 contribution unit by approx US\$90. The latter could delay the project and create a burden on members.
8	Using the ASRF – time for funds being required and then replenished	11, (ii) (c)	Use of funds may commence in 2021. Replenishment will not be necessary.
9	Reporting and monitoring	15	Noted and understood.
10	If funds are declined - impact	N/A	Already the changes made to FEM in the TS have provided positive financial results. Unnecessary delay in the completion of FEM for the AS could result in an avoidable financial loss.
11	Additional comment	N/A	The Bureau will try and resolve the remaining issues itself. If it is necessary to use external expertise to resolve final issues, then a competitive bidding process will be set up for the work.



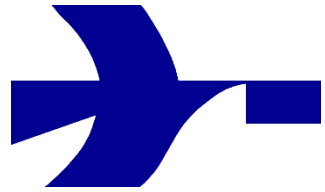
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (15)

### Decisions expected - 1

The EC, via the Finance Committee, is asked to:

- **note** the current level of the ASRF
- **note** that the balance estimated to be carried forward to 2022 is more than adequate to meet reasonable funding requirements
- **approve** the ASRF retaining its current minimum financial level of US\$80,000
- **approve** no additional funds needing to be budgeted for the ASRF for 2022

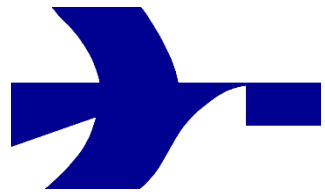
## Doc 5.3 - Administrative Section Reserve Fund (ASRF) (16)



### Decisions expected - 2

- **approve** the proposed expenditure ceilings from the ASRF of:
  - US\$10,000 for the Archiving Project
  - US\$10,000 for APPU 60<sup>th</sup> Anniversary celebrations
  - US\$7,000 for external expertise to assist with finalising foreign exchange management in the Administrative Section

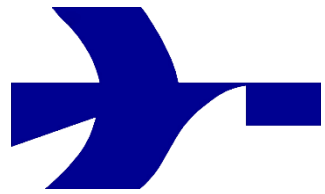
## Doc 5.4 - Review of cost allocations between the Administrative and Training Sections for Bureau staff (1)



- Staff costs are approx 70% of total operating expenditure
- The current allocations for staff costs are set out below.

Position	Administrative Section Budget	Training Section Budget	Special Activities Fund
Secretary General	50%	50%	
Lecturer 1		100%	
Lecturer 2		100%	
Manager RTCAP			100%
Manager, Administration and APPU Affairs	30%	70%	
Senior Administrative Officer	20%	80%	
Secretary	20%	80%	
System Support Officer	20%	80%	
Administrative Support Officer	15%	85%	
Office Assistant	15%	85%	
Driver 1	10%	90%	
Driver 2	10%	90%	

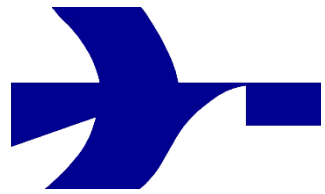
## Doc 5.4 - Review of cost allocations between the Administrative and Training Sections for Bureau staff (2)



### Salary Expenditure by Budget Source (2020)

Administrative Section Budget	Training Section Budget	Special Activities Fund	Total
165,284	479,684	71,200	<b>716,168</b>
23%	67%	10%	<b>100%</b>

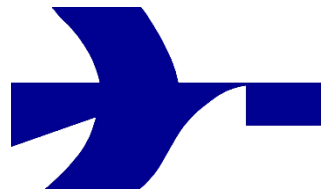
## Doc 5.4 - Review of cost allocations between the Administrative and Training Sections for Bureau staff (3)



### Allocation model

- It is not known how the percentage allocations were originally calculated
- The allocation of personnel costs, particularly between the Administrative and Training Sections, does not appear to have been reviewed for many years

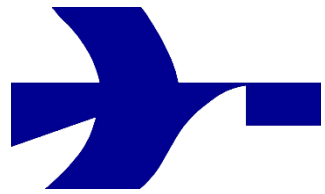
## Doc 5.4 - Review of cost allocations between the Administrative and Training Sections for Bureau staff (4)



### Conclusion

- To ensure cost allocations fairly represent activity undertaken, there should be a review of the allocation policy
- A report on the outcome of the assignment will be tabled to members no later than the 2022 APPU Congress

## Doc 5.4 - Review of cost allocations between the Administrative and Training Sections for Bureau staff (5)



### Decisions expected

- **note** the current allocation of costs between the three budget areas in the Bureau
- **note** that neither the accuracy of the current allocations nor how they were established can be verified from documentation that has been reviewed
- **note** the activity mix, including the parties who benefit from Bureau activity, has almost certainly changed since the current allocations were calculated
- **note** that the Bureau will initiate a review of the current allocations using in-house resources in the first place
- **note** that the Bureau will report to the membership on this matter no later than the 2022 Congress



## FINANCES OF THE UNION

### 2020 audited accounts for the Administrative Section. 2022 budget for the Administrative Section.

#### Memorandum by the Secretary General of APPU

1. Subject	References/Paragraphs
<p>Informing the EC on:</p> <ul style="list-style-type: none"> <li>- the audited accounts for the Administrative Section for 2020</li> <li>- the budget for the Administrative Section for 2022</li> <li>- four additional documents containing proposals, recommendations and information for consideration viz., <ul style="list-style-type: none"> <li>• request from Nauru</li> <li>• foreign exchange management of Administrative Section</li> <li>• Administrative Section Reserve Fund (ASRF)</li> <li>• review of Bureau staff cost allocations</li> </ul> </li> </ul>	<p>§§ 2.1 - 2.2, Annex 1  §§ 3.1 – 3.3, Annex 2  §§ 1.2, 4.1</p> <p>EC 2021 Doc 5.1  EC 2021 Doc 5.2  EC 2021 Doc 5.3  EC 2021 Doc 5.4</p>
2. Decisions expected	
<p>The EC, via the Finance Committee, is asked to:</p> <ul style="list-style-type: none"> <li>- <b>approve</b> the 2020 auditor's financial report</li> <li>- <b>approve</b> the proposed 2022 budget</li> <li>- <b>note</b> that each of the decisions expected for the additional documents will be dealt with separately to Doc 5</li> </ul>	<p>Annex 1  Annex 2  EC 2021 Docs 5.1, 5.2, 5.3, 5.4</p>

## 1. Introduction

1.1 EC 2021 Doc 5 contains the following material.

- (i) Audited accounts for the Administrative Section for 2020.
- (ii) Draft budget for the Administrative Section for 2022.

1.2 In addition, EC 2021 Doc 5 also introduces (as separate documents), proposals, recommendations and information for consideration by the EC, via the Finance Committee, related to:

- (i) request from Nauru for a reduction in contribution class for the expenses of the Union (EC 2021 Doc 5.1);
- (ii) foreign exchange management in the Administrative Section (EC 2021 Doc 5.2);
- (iii) Administrative Section Reserve Fund (ASRF) (EC 2021 Doc 5.3), comprising three parts i.e.,

**Part 1:** current level of ASRF;

**Part 2:** review of the minimum financial level (of the ASRF) and any need for replenishment of the Fund; and

**Part 3:** request for approval of funds from the ASRF for three items i.e.,

- (a) priority project: archive management;

- (b) milestone activity: APPU 60<sup>th</sup> Anniversary (2022); and
- (c) business practice strengthening: foreign exchange management
- (iv) review of cost allocations between the Administrative and Training Sections for Bureau staff (EC 2021 Doc 5.4).

## **2. Audited accounts for the Administrative Section for 2020**

- 2.1 By virtue of Article 117.3 of the General Regulations of the Asian-Pacific Postal Union, the Bureau shall prepare a report of the Administrative Section to which shall be attached a detailed final account of the preceding year and all documents regarding receipt and expenditure. This report shall be submitted to the Executive Council or to the Congress for approval.
- 2.2 The report of the certified public accountant covering the requirements set out in Article 117.3 is thus submitted as **Annex 1** for consideration and approval.

## **3. Draft budget for the Administrative Section for 2022**

- 3.1 The annual expenditure of the Union shall be separate for the Administrative Section and for the Training Section. The maximum amount for the annual expenditure for the Administrative Section as stipulated in Article 117.1 of the General Regulations is US\$ 80,000. However, Article 117.5 states that the limit laid down in Article 117.1 may be exceeded to enable the recruitment of personnel or otherwise to provide for the efficient operation of the Administrative Section if the majority of member countries agree.
- 3.2 The expenditure for the Administrative Section is shared by all member countries, in accordance with the UPU contribution class of that member, as prescribed in Article 116.
- 3.3 The Bureau has prepared the budget for the Administrative Section and it is submitted for consideration and approval as **Annex 2**. The budget total of US\$209,944. This is US\$3,924 less than the 2021 budget submitted at last year's meeting. The contribution unit is proposed to remain unchanged at US\$2,650.

## **4. Additional documents for consideration**

- 4.1 The additional documents described in paragraph 1.2 are referred to the Finance Committee for their consideration and report to the EC.

## **REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

To Executive Council of Asian-Pacific Postal Union

### **Opinion**

I have audited the financial statements of Asian-Pacific Postal Union, which comprise the statement of financial position as at December 31, 2020, and the statement of cash receipts and disbursements, and statement of cash reserve fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Asian-Pacific Postal Union, as at December 31, 2020, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Union in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Thailand office ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Thailand office or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Thailand office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Thailand office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Thailand office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relates disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Thailand office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Thailand office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

*Chatchadaporn N.*

Chatchadaporn Nuanyai  
Certified Public Accountant (Thailand) No.12267

44/93 Khubon Road,  
Samwa Tawantok,  
Klongsamwa, Bangkok  
3 February 2021

**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

(In USD)

<b>ASSETS</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	381,020.48	428,411.18
Account receivables on contribution shares	4		
- 2013 contribution shares		1,500.00	1,500.00
- 2015 contribution shares		1,850.00	1,850.00
- 2016 contribution shares		1,950.00	5,850.00
- 2017 contribution shares		2,150.00	6,450.00
- 2018 contribution shares		2,650.00	7,950.00
- 2019 contribution shares		7,950.00	7,950.00
- 2020 contribution shares		13,250.00	-
Others		381.26	5,517.28
<b>TOTAL CURRENT ASSETS</b>		<b>412,701.74</b>	<b>465,478.46</b>
 <b>NON - CURRENT ASSETS</b>			
Retirement funds	5	96,309.75	83,498.75
<b>TOTAL NON - CURRENT ASSETS</b>		<b>96,309.75</b>	<b>83,498.75</b>
 <b>TOTAL ASSETS</b>		<b>509,011.49</b>	<b>548,977.21</b>

The accompanying notes are an integral part of the financial statements.



Secretary General



Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2020**

(In USD)

<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT LIABILITIES</b>			
Contribution shares received in advance	6	67,300.00	149,450.00
Special contribution - Financial Inclusion		9,969.87	9,969.87
APPU Reform-consultancy fee		-	15,248.49
Mongol Post Company		10,528.61	-
Accrued expenses		10,887.84	28,589.69
Other current liabilities		1,071.46	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>99,757.78</b>	<b>203,258.05</b>
<b>EQUITY</b>			
Reserve fund		312,943.96	262,220.41
Reserve for retirement fund and tax		96,309.75	83,498.75
<b>TOTAL EQUITY</b>		<b>409,253.71</b>	<b>345,719.16</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>509,011.49</b>	<b>548,977.21</b>

The accompanying notes are an integral part of the financial statements.



Secretary General



Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(In USD)**

	<u>2020</u>	<u>2019</u>
<b>Cash, Beginning Balance</b>		
Petty cash	1,982.88	1,513.33
SCB - TOT branch No. 198 - 2 - 01649 - 0	48,407.15	47,242.62
SCB - Rutchayothin branch No. 111 -200071 - 5 - 840	461,519.90	371,386.98
	<u>511,909.93</u>	<u>420,142.93</u>
<b>Add : Income (Contribution shares)</b>		
<b>2014 contribution shares</b>		
Fiji	-	3,700.00
<b>2015 contribution shares</b>		
Mongolia	-	3,700.00
<b>2016 contribution shares</b>		
Fiji	-	3,900.00
Mongolia	-	3,900.00
Papua New Guinea	3,900.00	-
<b>2017 contribution shares</b>		
Mongolia	-	4,300.00
Papua New Guinea	4,300.00	-
Solomon Islands	-	2,150.00
<b>2018 contribution shares</b>		
Mongolia	-	5,300.00
Papua New Guinea	5,300.00	-
Solomon Islands	-	2,650.00
Tonga	-	5,300.00
<b>2019 contribution shares</b>		
Afghanistan	-	2,650.00
Australia	-	13,250.00



Secretary General



Manager Administration & APPU Affairs



**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(In USD)**

	<b>2020</b>	<b>2019</b>
Brunei Darussalam	-	5,300.00
Cambodia	-	2,650.00
Indonesia	-	7,950.00
Laos	-	2,650.00
Maldives	-	5,300.00
Nepal	-	5,300.00
Pakistan	-	7,950.00
Papua New Guinea	5,300.00	-
Philippines	-	5,300.00
Solomon Islands	-	2,650.00
Tonga	-	5,300.00
Vanuatu	-	2,650.00
Vietnam	-	5,300.00
<b>2020 contribution shares</b>		
Afghanistan	2,650.00	-
Australia	-	13,250.00
Bangladesh	-	10,600.00
Bhutan	-	2,650.00
Brunei Darussalam	5,300.00	-
Cambodia	2,650.00	-
China	-	13,250.00
Fiji	5,300.00	-
India	-	13,250.00
Iran	7,950.00	-
Japan	-	13,250.00
Korea	-	13,250.00
Laos	-	2,650.00



Secretary General

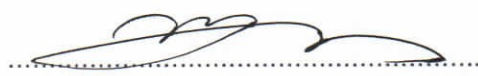



Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

(In USD)

	<u>2020</u>	<u>2019</u>
Malaysia	-	5,300.00
Maldives	-	5,300.00
Mongolia	5,300.00	
Myanmar		2,650.00
Nauru	2,650.00	-
Nepal	-	5,300.00
New Zealand	-	13,250.00
Pakistan	7,950.00	-
Philippines	5,300.00	-
Samoa	-	2,650.00
Singapore	-	5,300.00
Solomon Islands	2,650.00	-
Sri Lanka	-	7,950.00
Thailand	-	5,300.00
Tonga	5,300.00	-
Vanuatu	2,650.00	-
Vietnam	-	5,300.00
<b>2021 contribution shares received in advance</b>		
Bhutan	2,650.00	-
China	13,250.00	-
Japan	13,250.00	-
Korea	13,250.00	-
Malaysia	5,300.00	-
Singapore	5,300.00	-
Thailand	5,300.00	-
Vietnam	5,300.00	-
	<u>138,050.00</u>	<u>249,550.00</u>
Interest received	456.02	407.18
Service for APP	5,000.00	5,000.00

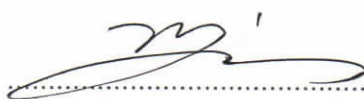
  
 Secretary General


  
 Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

(In USD)

	<b>2020</b>	<b>2019</b>
Gain on exchange rate	1,547.46	1,233.73
Due to APPC	-	14,049.65
APPU Reform-consultancy fee	-	1,940.25
Other	1,071.46	5,516.78
<b>Total cash &amp; cash receipts carried forward</b>	<b>658,034.87</b>	<b>697,840.52</b>
<b>Less : Expenditure</b>		
Staff cost	105,434.96	103,573.62
Overtime	52.03	294.29
Travel expenses	3,141.14	24,871.95
Medical expenses	1,950.99	-
General operations	15,369.13	15,962.03
APPU Reform-consultancy fee	19,640.00	32,338.00
Bank charges	345.98	743.53
Unbudgeted expenditure	6,884.70	-
Due to APPC	22,646.31	-
Due from RTCAP	4,902.42	5,283.68
Secretary General	336.98	233.60
Retirement fund payment	-	2,629.89
	<b>180,704.64</b>	<b>185,930.59</b>
<b>Cash, Ending Balance</b>	<b>477,330.23</b>	<b>511,909.93</b>
<b>Breakdown of Cash , Ending Balance :</b>		
Petty cash	2,586.91	1,982.88
SCB - TOT branch A/C No.198 - 2 - 01649 - 0	74,937.04	48,407.15
SCB - Ratchayothin branch A/C No. 111 - 200071 - 5 - 840	399,806.28	461,519.90
	<b>477,330.23</b>	<b>511,909.93</b>

  
Secretary General

  
Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**STATEMENTS OF CASH RESERVE FUND**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(In USD)

	<u>2020</u>	<u>2019</u>
<b>Cash, Beginning Balance</b>	262,220.41	245,818.92
<u>Add</u> : Excess income over expenditure	44,066.05	10,504.11
Interest earned on savings deposits	456.02	407.18
Gain on exchange rate	1,547.46	1,233.73
Service for APP	5,000.00	5,000.00
Sub total	<u>313,289.94</u>	<u>262,963.94</u>
<u>Less</u> : Bank charges	345.98	743.53
<b>Cash, Ending Balance</b>	<u><u>312,943.96</u></u>	<u><u>262,220.41</u></u>



Secretary General



Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**SOURCES AND APPLICATION OF FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(In USD)

	<u>2020</u>	<u>2019</u>
<b>Sources of Funds</b>		
2020 Contribution shares		
Received in 2018	-	121,900.00
Received in 2019	140,450.00	74,200.00
Received in 2020	55,650.00	-
Accounts receivable	13,250.00	7,950.00
	<u>209,350.00</u>	<u>204,050.00</u>
<b>Less Application of Funds</b>		
Staff cost	105,434.96	103,573.62
Overtime	52.03	294.29
Travel expenses	3,141.14	24,871.95
Retirement fund and tax	12,811.00	16,506.00
Medical expenses	1,950.99	-
General operations	15,369.13	15,962.03
APPU Reform-consultancy fee	19,640.00	32,338.00
Unbudgeted expenditure	6,884.70	-
	<u>165,283.95</u>	<u>193,545.89</u>
 Excess income over expenditure	 <u>44,066.05</u>	 <u>10,504.11</u>



Secretary General



Manager Administration & APPU Affairs



**ASIAN-PACIFIC POSTAL UNION**  
**COMPARISON OF EXPENDITURES WITH APPROVED BUDGET FOR 2020**  
 (In USD)

	Budget	Expenditure	
	2020	2020	2019
Salary :			
Secretary general's salary	67,080.00	66,811.50	64,559.50
- Manager administration & APPU affairs	10,821.00	10,776.33	10,570.51
- Senior administrative officer	6,632.00	6,605.96	6,640.82
- Secretary	6,180.00	6,154.27	6,186.62
- System support officer	6,180.00	6,154.27	6,186.62
- Administrative support officer	4,150.00	4,133.02	4,154.62
- Office assistant	2,040.00	1,185.25	1,705.73
- Driver 1	1,815.00	1,807.18	1,816.86
- Driver 2	1,815.00	1,807.18	1,752.34
Overtime	200.00	52.03	294.29
Traveling expenses	36,588.00	3,141.14	24,871.95
Retirement fund *	8,789.00	8,789.00	15,306.00
Retirement tax for local staff**	4,022.00	4,022.00	1,200.00
Medical expenses	2,400.00	1,950.99	-
General operations***	30,650.00	15,369.13	15,962.03
APPU Reform-consultancy fee	19,640.00	19,640.00	32,338.00
Unbudgeted expenditure		6,884.70	-
Total	209,002.00	165,283.95	193,545.89

\* Transferred to Reserve for Retirement Fund - accumulative funds

\*\* Transferred to Reserve for Retirement Fund - accumulative retirement tax



Secretary General



Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**COMPARISON OF EXPENDITURES WITH APPROVED BUDGET FOR 2020**  
(In USD)

\*\*\* Details are as follows:-

	<b>Budget 2020</b>	<b>Actual 2020</b>	<b>Actual 2019</b>
Auditing	1,000.00	993.15	989.07
Electricity	12,000.00	7,747.20	7,969.39
Postage	500.00	35.24	474.16
Printing	1,500.00	710.40	736.15
Stationery	2,500.00	616.07	510.50
Telecommunication	3,000.00	3,142.98	4,131.53
Cleaning	3,000.00	2,124.09	1,151.23
	<b>23,500.00</b>	<b>15,369.13</b>	<b>15,962.03</b>

**ASIAN-PACIFIC POSTAL UNION**  
**APPU REFORM - CONSULTANCY FEE**  
(In USD)

	<b>Actual 2020</b>
APPU Reform-consultancy fee, Beginning balance	15,248.49
Add Consultancy fee budget 2020	19,640.00
Less Disbursements for consultancy fee	34,888.49
APPU Reform-consultancy fee, Ending balance	-



Secretary General

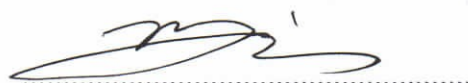


Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**SCHEDULE OF 2015 CONTRIBUTION SHARES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

(In USD)

Seq.	Member Country	Units	Amount	Paid in 2019	Paid in 2020	Due in 2021
1	Afghanistan	1	2,650.00	-	2,650.00	-
2	Australia	5	13,250.00	13,250.00	-	-
3	Bangladesh	4	10,600.00	10,600.00	-	-
4	Bhutan	1	2,650.00	2,650.00	-	-
5	Brunei Darussalam	2	5,300.00	-	5,300.00	-
6	Cambodia	1	2,650.00	-	2,650.00	-
7	China	5	13,250.00	13,250.00	-	-
8	Fiji	2	5,300.00	-	5,300.00	-
9	India	5	13,250.00	13,250.00	-	-
10	Indonesia	3	7,950.00	-	-	7,950.00
11	Iran	3	7,950.00	-	7,950.00	-
12	Japan	5	13,250.00	13,250.00	-	-
13	Korea	5	13,250.00	13,250.00	-	-
14	Laos	1	2,650.00	2,650.00	-	-
15	Malaysia	2	5,300.00	5,300.00	-	-
16	Maldives	2	5,300.00	5,300.00	-	-
17	Mongolia	2	5,300.00	-	5,300.00	-
18	Myanmar	1	2,650.00	2,650.00	-	-
19	Nauru	1	2,650.00	-	2,650.00	-
20	Nepal	2	5,300.00	5,300.00	-	-
21	New Zealand	5	13,250.00	13,250.00	-	-
22	Pakistan	3	7,950.00	-	7,950.00	-
23	Papua New Guinea	2	5,300.00	-	-	5,300.00
24	Philippines	2	5,300.00	-	5,300.00	-
25	Samoa	1	2,650.00	2,650.00	-	-
26	Singapore	2	5,300.00	5,300.00	-	-
27	Solomon Islands	1	2,650.00	-	2,650.00	-
28	Sri Lanka	3	7,950.00	7,950.00	-	-
29	Thailand	2	5,300.00	5,300.00	-	-
30	Tonga	2	5,300.00	-	5,300.00	-
31	Vanuatu	1	2,650.00	-	2,650.00	-
32	Vietnam	2	5,300.00	5,300.00	-	-
Total		79	209,350.00	140,450.00	55,650.00	13,250.00



Secretary General



Manager Administration & APPU Affairs



**ASIAN-PACIFIC POSTAL UNION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1 GENERAL INFORMATION**

The Asian-Pacific Postal Union (APPU) is an inter-governmental organization of 32 postal administrations of the Asia-Pacific region. APPU is affiliated to the Universal Postal Union which is a specialized agency of the United Nations. The purpose of the APPU is to extend, facilitate and improve postal relations between member countries and to promote cooperation in the field of postal services.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Income and expenditure are recognition**

Income and expenditure are recognized on an accrual basis.

**2.2 Foreign currencies**

Foreign currency transactions are translated into US Dollars at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding on the balance sheet date are translated into US Dollars at the rates ruling on the balance sheet date. Gains and losses on exchange are included in determining income.

**2.3 Retirement funds**

Retirement funds are expensed when incurred.

**3 CASH AND CASH EQUIVALENTS**

	(Unit : USD)	
	2020	2019
Petty cash	2,586.91	1,982.88
Bank accounts		
SCB TOT branch A/C No.198-2-1649-0	74,937.04	48,407.15
SCB TOT Ratchayothin branch A/C No.111-200071-5-840	399,806.28	461,519.90
Total	477,330.23	511,909.93
<u>Less</u> Retirement funds	(96,309.75)	(83,498.75)
Net total	381,020.48	428,411.18



Secretary General

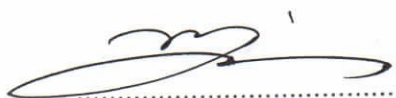


Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4. ACCOUNT RECEIVABLES ON CONTRIBUTION SHARES**

	(Unit : USD)	
	<u>2020</u>	<u>2019</u>
<b>2013 Contribution shares</b>		
Nauru	1,500.00	1,500.00
<b>2015 Contribution shares</b>		
Nauru	1,850.00	1,850.00
<b>2016 Contribution shares</b>		
Nauru	1,950.00	1,950.00
Papua New Guinea	-	3,900.00
<b>2017 Contribution shares</b>		
Nauru	2,150.00	2,150.00
Papua New Guinea	-	4,300.00
<b>2018 Contribution shares</b>		
Nauru	2,650.00	2,650.00
Papua New Guinea	-	5,300.00
<b>2019 Contribution shares</b>		
Mongolia	5,300.00	-
Nauru	2,650.00	2,650.00
Papua New Guinea	-	5,300.00
<b>2020 Contribution shares</b>		
Indonesia	7,950.00	-
Papua New Guinea	5,300.00	-
<b>Total</b>	<u><u>31,300.00</u></u>	<u><u>31,550.00</u></u>



Secretary General



Manager Administration & APPU Affairs

## 5. RETIREMENT FUNDS

	(Unit : USD)	
	2020	2019
Cash, Beginning Balance	83,498.75	69,622.64
Add reserve for retirement fund (US\$ 8,789.00) and Tax (US\$ 4,022.00)	-	-
	12,811.00	16,506.00
Less retirement fund payment	-	(2,629.89)
<b>Total</b>	<b>96,309.75</b>	<b>83,498.75</b>

## 6. CONTRIBUTION SHARES RECEIVED IN ADVANCE

	(Unit : USD)	
	2020	2019
Australia	-	13,250.00
Bangladesh	-	10,600.00
Bhutan	2,650.00	2,650.00
Brunei Darussalam	3,700.00	3,700.00
China	13,250.00	13,250.00
India	-	13,250.00
Japan	13,250.00	13,250.00
Korea	13,250.00	13,250.00
Laos	-	2,650.00
Malaysia	5,300.00	5,300.00
Maldives	-	5,300.00
Mongolia	-	5,300.00
Myanmar	-	2,650.00
Nepal	-	5,300.00
New Zealand	-	13,250.00
Samoa	-	2,650.00
Singapore	5,300.00	5,300.00
Sri Lanka	-	7,950.00
Thailand	5,300.00	5,300.00
Vietnam	5,300.00	5,300.00
<b>Total</b>	<b>67,300.00</b>	<b>149,450.00</b>



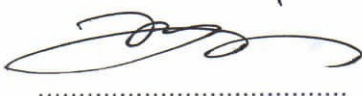
Secretary General



Manager Administration & APPU Affairs

## 7. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Secretary General of the Union  
for the approval of the Executive Council.



Secretary General



Manager Administration & APPU Affairs

**ASIA PACIFIC POST (APP) COOPERRATIVE**  
**STATEMENTS OF CASH RECEIPT AND DISBURSEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(In USD)**

Cash, Beginning Balance

**SCB - Ratchayothin branch A/C No.111-200072-3-840**

1,145,118.41

**Add Receipts**

**Membership Fees for 2019**

Pakistan post	3,184.76	
PNG post	3,189.00	6,373.76

**Membership Fees for 2020**

Australia post	79,967.82	
Brunei Post	7,600.00	
Cambodia post	3,200.00	
China post	46,278.36	
Hong Kong post	79,959.10	
India post	15,973.79	
Pos Indonesia	9,200.00	
Post company of I.R. Iran	4,800.00	
Japan post	80,000.00	
Lao post	3,175.32	
Pos Malaysia	31,968.92	
Maldives post	4,788.00	
New Zealand post	15,983.48	
Pakistan post	3,184.76	
PhilPost	4,770.05	
Singapore post	40,000.00	
Sri Lanka post	4,778.03	
Thailand post	9,200.00	
Vanuatu post	7,600.00	452,427.63



Secretary General



Manager Administration & APPU Affairs



**ASIA PACIFIC POST (APP) COOPERRATIVE**  
**STATEMENTS OF CASH RECEIPT AND DISBURSEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(In USD)**

**Membership Fees for 2021**

Australia post	79,967.29	
Korea post	80,017.00	
New Zealand post	15,983.26	
PhilPost	4,773.04	
Singapore post	40,000.00	
Solomon Islands post	3,179.96	
Sri Lanka post	4,778.02	228,698.57
		<hr/>

**Interest earned on savings deposits**

631.95

**Total cash & cash receipts carried forward**

1,833,250.32

**Less Disbursements**

Reimbursement to APP

4 <sup>th</sup> quarter, 2019	111,712.43	
1 <sup>st</sup> quarter, 2020	143,468.13	
2 <sup>nd</sup> quarter, 2020	96,028.43	
3 <sup>rd</sup> quarter, 2020	147,131.03	498,340.02
		<hr/>

2020 Financial Service for APP

5,000.00

**Bank charges**

1,451.19

Cash, Ending Balance

1,328,459.11

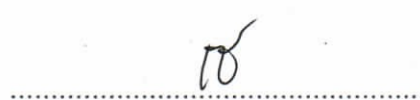
**Breakdown of Cash , Ending Balance :**

SCB - Ratchayothin branch A/C No. 111 - 200071 - 5 - 840

1,328,459.11



Secretary General



Manager Administration & APPU Affairs

**REGIONAL TECHNICAL CENTRE FOR ASIA PACIFIC (RTCAP)**  
**STATEMENTS OF CASH RECEIPT AND DISBURSEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(In USD)**

**Cash, Beginning Balance**

SCB - Ratchayothin branch A/C No.111-200073-1-840	242,427.54
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**Add Receipts**

**Voluntary contributions for 2020**

Fiji	490.32	490.32
Japan	40,000.00	
Laos	475.32	
Philippines	975.24	
Sri Lanka	1,980.33	
Vietnam	959.32	44,390.21

**2021 Contribution shares received in advance**

Bhutan	480.08	
China	4,967.55	
Laos	474.98	
Singapore	5,000.00	10,922.61

Interest earned on savings deposits	118.97
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Accrued expense to APPU	381.26
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Accrued expense to APPC	1,050.00


**Total cash & cash receipts carried forward**

299,780.91


**Less Disbursements**

**Reimbursement to RTCAP**

Staff salary	50,350.00	
Medical expenses	256.21	
Accommodation	3,325.00	
Telecommunication and postage	268.05	
Airfare/Travel Allowance	11.17	54,210.43



Secretary General



Manager Administration & APPU Affairs

**REGIONAL TECHNICAL CENTRE FOR ASIA PACIFIC (RTCAP)**  
**STATEMENTS OF CASH RECEIPT AND DISBURSEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(In USD)**

Less Disbursements

Singapore reimbursement	14,598.57
RTCAP	1,268.80
Bank charges	6.66
Due to APPU-wrong transferred from Nepal	5,283.68

**Cash, Endidg Balance**

224,412.77

**Breakdown of Cash , Ending Balance :**

SCB - Ratchayothin branch A/C No. 111 - 200073 - 1 - 840	<u>224,412.77</u>
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Secretary General



Manager Administration & APPU Affairs



### Proposed 2022 APPU (Administrative Section) Budget

#### 2022 Income

Contribution share @ US\$ 2,650 x 79 Units  
APP financial management charge

#### Total Income

US\$ 209,350  
US\$ 5,000  
**US\$ 214,350**

#### Administrative Section Reserve Fund (ASRF)

Starting position of ASRF 1 January 2021  
(minimum level required is US\$ 80,000)

**US\$ 312,943.96**

Expenditure		2022 Budget (US\$)		2021 Budget (US\$)		2020 Actual (US\$)	
Staff cost (Note 1)		109,644.00		109,212.00		105,434.96	
- Secretary General (Note 2)	68,076.00		68,562.00		66,811.50		50% of Salary, Post Adj. & Dependency Allowance
- Manager Administration & APPU Affairs	12,048.00		11,544.00		10,776.33		30% of Salary
- Senior Administrative Officer	6,938.00		6,873.00		6,605.96		20 % of Salary
- Secretary	6,464.00		6,403.00		6,154.27		20 % of Salary
- System Support Officer	6,464.00		6,403.00		6,154.27		20 % of Salary
- Administrative Support Officer	4,341.00		4,300.00		4,133.02		15 % of Salary
- Office Assistant	1,517.00		1,367.00		1,185.25		15 % of Salary
- Driver 1	1,898.00		1,880.00		1,807.18		10% of salary
- Driver 2	1,898.00		1,880.00		1,807.18		10% of salary
Overtime		300.00		300.00		52.03	
Travel expenses (Note 3)		27,400.00		27,460.00		3,141.14	
Retirement fund (Note 4)		9,531.00		13,509.00		8,789.00	
Retirement tax for local staff (Note 5)		3,439.00		3,387.00		4,022.00	
Medical expenses		2,530.00		2,400.00		1,950.99	
General operations (Note 6)		57,100.00		57,600.00		41,893.83	
Total		209,944.00		213,868.00		165,283.95	

**Note 1:** Staff costs have moved by US\$432 from the budgeted figure for 2021 (US\$109,212) to the budgeted figure for 2022 (US\$109,644). However, for the purpose of providing a more accurate (i.e., up-to-date) assessment the following information is provided.

- (i) The budgeted figure for 2021 (US\$109,212) included a CPI increase of 0.71%. Between approving the budget (22 July 2020) and the 2021 year commencing (1 January 2021), the Bank of Thailand changed the previously advised CPI of +0.71% to a negative figure. Accordingly, the Bureau did not take the approved +0.71% salary increase for 2021. Instead, they applied a 0% CPI factor to the 2020 base salaries. As a result, the actual salaries for 2021 will be approximately US\$108,400 (a reduction of US\$812 in rounded numbers from the approved budget figure). On this basis, the difference between the actual salaries paid in 2021 and the salary cost budgeted for 2022 would be in the vicinity of US\$1,250.
- (ii) The 2022 salaries are based on the actual salaries paid in 2021, plus salary increments for two staff members (the Manager, Administration and APPU Affairs, and the Office Assistant). All other local staff have reached the top step of their salary range.
- (iii) In relation to (ii) above, although only two local staff received salary increments, all local staff show in the Budget table as having higher salaries in 2022 than in 2021. This is due to the conversion factor from THB to USD. Local staff are paid in THB. In 2021 the exchange rate used was 30.5 (Baht = US\$1). For the 2022 salary calculation, the exchange rate used was 30 (Baht = US\$1). The change in exchange rate between the two years has the effect of increasing the USD in the Budget table.
- (iv) The estimated CPI factor applied for the 2022 salaries was 0%. The Bureau will adjust the CPI rate according to the announcement by the Bank of Thailand (BOT) by the end of December 2021.

**Note 2:** the Secretary General's salary remains at its 2021 (actual) level. The reduction between the budgeted figure for 2021 (US\$68,562) and the budgeted figure for 2022 (US\$68,076) is explained in Note 1 (i).

**Note 3:** Travel expenses are set out in detail in a supporting document as part of the 2022 Budget material.

**Note 4:** a detailed explanation of the calculation and associated matters regarding the Retirement Fund is set out in a supporting document as part of the 2022 Budget material.

**Note 5:** Retirement Tax is a complex calculation taking in individual tax rates related to the overall value of an employee's accumulated Retirement Benefit. The methodology has been peer-reviewed and the budgeted amount is accurate.

**Note 6:** a detailed breakdown of the various expenditure items in General Operations is set out in a supporting document as part of the 2022 Budget material.

# TRAVEL EXPENSES

Unit : US\$

Destination	Person traveling	Purpose	Benefit to the APPU/ reasons	Cost of airfares	Subsistence Allowance	Other Expenses	Total cost
Bern, Switzerland	Secretary General	Attend UPU CA meeting	Represent APPU on various matters in CA (and POC) sessions as well as represent the APPU in the Restricted Union Conference.	5,000 BKK-Zurich-BKK	3,150 (7 days at US\$ 450 per day)	500 US\$ 500, train from/to Zurich-Bern-Zurich and others	<b>8,650</b>
Bern, Switzerland	Secretary General	Attend UPU CA meeting	Represent APPU on various matters in the CA (and POC) sessions as well as represent the APPU in the Restricted Union Conference.	5,000 BKK-Zurich-BKK	3,150 (7 days at US\$ 450 per day)	500 US\$ 500 train from/to Zurich-Bern-Zurich and others	<b>8,650</b>
Thailand	Secretary General	Attend APPU Congress	Requirement of the position to assume the task of Secretary General.	50% of airfare (No air travel anticipated)	2,100 (7 days at US\$ 300 per day)		<b>2,100</b>
	Manager, Administration & APPU Affairs	Attend APPU Congress	Provide support to the Secretary General, as well as secretariat service to the members and meetings	50% of airfare (No air travel anticipated)	2,400 (8 days at US\$ 300 per day)		<b>2,400</b>
	APPU staff	Attend APPU Congress	Provide secretariat support to the members and meetings. <sup>1</sup>	100% of airfare (No air travel anticipated)	2,100 (7 days at US\$ 300 per day)		<b>2,100</b>
Asia	Secretary General	Contingency	Raise the profile of APPU	2,000	1,500 (5 days at US\$ 300 per day)		<b>3,500</b>
<b>TOTAL</b>				<b>12,000</b>	<b>14,400</b>	<b>1,000</b>	<b>27,400</b>

<sup>1</sup> The inclusion of a second support person from the Bureau was approved at the 2018 EC meeting.

**RETIREMENT FUND (Note 1, Note 4)**

Unit: US\$

Position	2022 Salary	Monthly Salary	Years of Service	Retirement Fund	Retirement Tax	Tax rate
Secretary General	68,076	5,673	9	51,057	-	0%
Manager Administration & APPU Affairs	12,048	1,004	4	4,016	-	0%
Senior Administrative officer	6,938	579	34	19,686	6,890	35%
Secretary	6,464	539	17	9,163	2,749	30%
System Support Officer	6,464	539	22	11,858	3,557	30%
Admin. Support Officer	4,341	362	18	6,516	1,955	30%
Office Assistant	1,517	127	3	381	-	0%
Driver 1	1,898	159	27	4,293	1,073	25%
Driver 2	1,898	159	15	2,385	596	25%
Total (Note 2, Note 5)				<b>109,355</b>	<b>16,821</b>	

**Composition of Retirement Fund and Retirement Tax at 31 December 2022**

Timing	Fund	Tax
Value at 31 December 2020	86,315	9,995
Value allocated in 2021	13,509	3,387
Value of proposed contribution in 2022 (Note 3)	9,531	3,439
<b>Totals</b>	<b>109,355</b>	<b>16,821</b>

**GENERAL OPERATIONS**

Items	Budget 2022	Budget 2021	Actual 2020	Remark
Audit	1,000	1,000	993.15	Bureau Office - 1st FL  Rental fee of photocopy machine
Electricity	9,500	9,500	7,747.20	
Postage	500	500	35.24	
Printing	1,200	1,200	710.40	
Stationery	1,000	1,000	616.07	
Telecommunication charge	3,500	4,000	3,142.98	
Cleaning	4,400	4,400	2,124.09	
Hospitality	1,000	1,000		
Consultancy fee for APPU Reform	35,000	35,000	19,640.00	
Unbudgeted expenditure			6,884.70	
<b>Total</b>	<b>57,100</b>	<b>57,600</b>	<b>41,893.83</b>	

**Note 1:** the Retirement Fund is calculated as 1 month's salary for every year of service as at the end of the budget year (i.e., 31 December 2022). For example, a person earning US\$3,000 per month with 5 years of service as at 31 December 2021, will have a retirement entitlement of US\$15,000 (being US\$3,000 x 5).

**Note 2:** the "Total" is the amount that will be owing to all staff in retirement entitlements as at 31 December 2022 (i.e., US\$ 109,355).

**Note 3:** the "Proposed retirement contribution for 2022" is the difference between the balance that is estimated to be in the Fund as at 31 December 2021 (i.e., US\$86,315 + US\$13,509 = US\$ 99,824) and the amount at Note 2 (i.e., US\$109,355). The difference is US\$ 9,531 – and this is the proposed Retirement Fund contribution for 2022. (The variation in contribution between 2021 (US\$13,509) and 2022 (US\$9,531) is influenced by the withdrawn CPI increase of 0.71% for 2021, and the change in Thai Baht conversion rate.)

**Note 4:** the data in this Retirement Fund table is calculated using the Administrative Section share of total salaries. There is a corresponding calculation for the Training Section share of salaries in the Governing Board documentation.

**Note 5:** the total funds actually held in Retirement Fund bank accounts is equal to current entitlements, and this is calculated to also be the case as at 31 December 2022.

### Administrative Section Reserve Fund (ASRF): Information note

EC 2021 Doc 5.3 seeks approval for three items of expenditure from the ASRF. The expenditure in question is planned to occur in 2021 and 2022. To provide a consolidated record of all expenditure submitted for approval at the 2021 EC session, the ASRF detail is included in this Annex 2 as an “information note”.

<b>ASRF: Expenditure Approval Requested (ref. EC 2021 Doc 5.3)</b>			
<b>No.</b>	<b>Expenditure Item</b>	<b>Approval Requested (US\$)</b>	<b>Approval Document Reference</b>
1	Priority project: Archive Management	10,000	§ 4.7
2	Milestone activity: APPU 60 <sup>th</sup> Anniversary (2022)	10,000	§ 4.8
3	Business practice strengthening: Foreign exchange management	7,000	§ 4.9
	<b>Total</b>	<b>27,000</b>	

**2022 Contribution Shares**

Unit : US\$

No.	Member Country	Contribution Unit	Contribution Share
1	Afghanistan	1	2,650
2	Australia	5	13,250
3	Bangladesh	4	10,600
4	Bhutan	1	2,650
5	Brunei Darussalam	2	5,300
6	Cambodia	1	2,650
7	China	5	13,250
8	Fiji	2	5,300
9	India	5	13,250
10	Indonesia	3	7,950
11	Iran	3	7,950
12	Japan	5	13,250
13	Korea	5	13,250
14	Laos	1	2,650
15	Malaysia	2	5,300
16	Maldives	2	5,300
17	Mongolia	2	5,300
18	Myanmar	1	2,650
19	Nauru	1	2,650
20	Nepal	2	5,300
21	New Zealand	5	13,250
22	Pakistan	3	7,950
23	Papua New Guinea	2	5,300
24	Philippines	2	5,300
25	Samoa	1	2,650
26	Singapore	2	5,300
27	Solomon Islands	1	2,650
28	Sri Lanka	3	7,950
29	Thailand	2	5,300
30	Tonga	2	5,300
31	Vanuatu	1	2,650
32	Vietnam	2	5,300
Total		79	209,350

Contribution share @ US\$ 2,650 per unit

### 2021 Contribution Shares

Unit : US\$

No.	Member Country	Received	Bank Charges	Owing
1	Afghanistan	-	-	2,650.00
2	Australia	13,217.22	32.78	-
3	Bangladesh	10,568.33	31.67	-
4	Bhutan	2,630.07	19.93	-
5	Brunei Darussalam	-	-	5,300.00
6	Cambodia	-	-	2,650.00
7	China	13,209.17	40.83	-
8	Fiji	5,270.79	29.21	-
9	India	13,193.25	56.75	-
10	Indonesia	-	-	7,950.00
11	Iran	7,918.32	31.68	-
12	Japan	13,250.00	-	-
13	Korea	13,250.00	-	-
14	Laos <sup>1</sup>	-	-	2,650.00
15	Malaysia	5,300.00	-	-
16	Maldives	5,286.75	13.25	-
17	Mongolia	-	-	5,300.00
18	Myanmar	-	-	2,650.00
19	Nauru	-	-	2,650.00
20	Nepal	5,276.78	23.22	-
21	New Zealand	13,233.22	16.78	-
22	Pakistan	-	-	7,950.00
23	Papua New Guinea	-	-	5,300.00
24	Philippines	-	-	5,300.00
25	Samoa	2,639.95	10.05	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	-	-	2,650.00
28	Sri Lanka	7,923.23	26.77	-
29	Thailand	5,300.00	-	-
30	Tonga	-	-	5,300.00
31	Vanuatu	-	-	2,650.00
32	Vietnam	5,300.00	-	-
Total		148,067.08	332.92	60,950.00

Contribution share @ US\$ 2,650 per unit

<sup>1</sup> Laos has informed the Bureau that there will be a delay in payment due to the impact of the COVID-19 situation.



**2020 Contribution Shares**

Unit : US\$

No.	Member Country	Received	Bank Charges	Owing
1	Afghanistan	2,580.33	69.67	-
2	Australia	13,217.45	32.55	-
3	Bangladesh	10,568.37	31.63	-
4	Bhutan	2,630.01	19.99	-
5	Brunei Darussalam	5,300.00	-	-
6	Cambodia	2,650.00	-	-
7	China	13,208.38	41.62	-
8	Fiji	5,275.23	24.77	-
9	India	13,223.37	26.63	-
10	Indonesia	7,915.91	34.09	-
11	Iran	7,950.00	-	-
12	Japan	13,250.00	-	-
13	Korea	13,250.00	-	-
14	Laos	2,625.00	25.00	-
15	Malaysia	5,300.00	-	-
16	Maldives	5,286.75	13.25	-
17	Mongolia	5,266.80	33.20	-
18	Myanmar	2,655.59	- 5.59	-
19	Nauru	2,627.99	22.01	-
20	Nepal	5,300.00	-	-
21	New Zealand	13,233.37	16.63	-
22	Pakistan	7,883.39	66.61	-
23	Papua New Guinea	-	-	5,300.00
24	Philippines	5,276.75	23.25	-
25	Samoa	2,630.01	19.99	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	2,630.09	19.91	-
28	Sri Lanka	7,923.42	26.58	-
29	Thailand	5,300.00	-	-
30	Tonga	5,266.80	33.20	-
31	Vanuatu	2,629.99	20.01	-
32	Vietnam	5,286.75	13.25	-
Total		195,525.84	574.16	13,250.00

Contribution share @ US\$ 2,650 per unit

**2019 Contribution Shares**

Unit : US\$

No.	Member Country	Received	Bank Charges	Owing
1	Afghanistan	2,580.23	69.77	-
2	Australia	13,217.67	32.33	-
3	Bangladesh	5,271.79	28.21	-
4	Bhutan	2,630.83	19.17	-
5	Brunei Darussalam	5,300.00	-	-
6	Cambodia	2,650.00	-	-
7	China	13,209.67	40.33	-
8	Fiji	5,253.30	46.70	-
9	India	13,224.70	25.30	-
10	Indonesia	7,950.00	-	-
11	Iran	7,919.80	30.20	-
12	Japan	13,250.00	-	-
13	Korea	13,250.00	-	-
14	Laos	2,625.16	24.84	-
15	Malaysia	5,300.00	-	-
16	Maldives	5,276.77	23.23	-
17	Mongolia <sup>2</sup>	-		5,300.00
18	Myanmar	2,650.00	-	-
19	Nauru	-	-	2,650.00
20	Nepal	5,294.65	5.35	-
21	New Zealand	13,234.80	15.20	-
22	Pakistan	7,919.58	30.42	-
23	Papua New Guinea	5,288.75	11.25	-
24	Philippines	5,256.83	43.17	-
25	Samoa	2,615.81	34.19	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	2,650.00	-	-
28	Sri Lanka	7,891.64	58.36	-
29	Thailand	5,300.00	-	-
30	Tonga	5,266.80	33.20	-
31	Vanuatu	2,650.00	-	-
32	Vietnam	5,271.79	28.21	-
Total		195,500.57	599.43	7,950.00

Contribution share @ US\$ 2,650 per unit

<sup>2</sup> The payment for Mongolia will be made in conjunction with its payment for 2021. The contribution for 2020 has been paid.

**2018 Contribution Shares**

Unit : US\$

No.	Member Country	Received	Bank Charges	Owing
1	Afghanistan	2,580.61	69.39	-
2	Australia	13,199.65	50.35	-
3	Bangladesh	5,271.79	28.21	-
4	Bhutan	2,630.74	19.26	-
5	Brunei Darussalam	5,300.00	-	-
6	Cambodia	2,650.00	-	-
7	China	13,209.61	40.39	-
8	Fiji	5,252.83	47.17	-
9	India	13,223.98	26.02	-
10	Indonesia	7,950.00	-	-
11	Iran	7,919.71	30.29	-
12	Japan	13,234.60	15.40	-
13	Korea	13,234.66	15.34	-
14	Laos	2,625.42	24.58	-
15	Malaysia	5,300.00	-	-
16	Maldives	5,274.78	25.22	-
17	Mongolia	5,300.00	-	-
18	Myanmar	2,605.77	44.23	-
19	Nauru		-	2,650.00
20	Nepal	5,294.84	5.16	-
21	New Zealand	13,242.30	7.70	-
22	Pakistan	7,919.14	30.86	-
23	Papua New Guinea	5,288.75	11.25	-
24	Philippines	5,256.83	43.17	-
25	Samoa	2,615.54	34.46	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	2,650.00	-	-
28	Sri Lanka	7,924.00	26.00	-
29	Thailand	5,300.00	-	-
30	Tonga	5,266.80	33.20	-
31	Vanuatu	2,615.58	34.42	-
32	Vietnam	5,286.75	13.25	-
<b>Total</b>		<b>200,724.68</b>	<b>675.32</b>	<b>2,650.00</b>

Contribution share @ US\$ 2,650 per unit

## Finances of the Union

### Request from the Republic of Nauru: Reduction in contribution to APPU expenses, waiving of arrears – update report to membership

(Document prepared by the Finance Committee)

1. Subject	References/paragraphs
<p>Informing the EC on:</p> <ul style="list-style-type: none"> <li>- the request from Nauru for a reduction in contribution class to the APPU administrative expenses</li> <li>- the request from Nauru for the waiving of arrears (of unpaid contributions to the APPU administrative expenses)</li> <li>- the focus of the document on the reduction in contribution class only</li> <li>- the four questions that the Finance Committee was asked to deal with</li> <li>- the background material on the contribution systems (APPU and UPU)</li> <li>- the assessment of affordability</li> <li>- implications of a introducing a reduced contribution class</li> <li>- the need for an overall review of the APPU contributions system in the next cycle</li> <li>- the summary and conclusions of the Finance Committee</li> </ul>	<p>§ 1.1</p> <p>§§ 1.2, 2.3</p> <p>§ 2.4</p> <p>§ 3.2.1</p> <p>§§ 5 – 6</p> <p>§ 7</p> <p>§§ 10 – 11, Appendix 1, Appendix 2</p> <p>§§ 8.3 (iii), 12.2, 13.1 (iv), 13.3</p> <p>§§ 13.1 – 13.2</p>
2. Decisions expected	
<p>The EC is asked to:</p> <ul style="list-style-type: none"> <li>- <b>note</b> the two requests from Nauru</li> <li>- <b>note</b> the matter of waiving arrears is deferred until the UPU Congress deals with this issue in its financial system</li> <li>- <b>note</b> the following responses to the four questions that the Finance Committee was asked to deal with <ul style="list-style-type: none"> <li>- that there is no relationship between the contribution systems of the UPU and APPU on which to base a reduction in contribution unit to a level of 0.5 units (or to any other level below 1 unit)</li> <li>- that the preliminary calculations undertaken by the Bureau in 2019 on the impact of a reduction in contribution unit are correct and have been updated</li> <li>- that despite the absence of any relationship between the UPU and APPU systems for establishing a reduced contribution class, there is a significant disparity between the two systems that warrants serious consideration of a 0.5-unit class</li> <li>- that the Finance Committee <b>recommends</b> the creation of a 0.5-unit contribution class for the three members who qualify (Nauru, Samoa, Tonga)</li> <li>- that there have been no anomalies found in the contribution system review that require highlighting in EC 2021 Doc 5.1</li> </ul> </li> <li>- <b>approve</b> the creation of a 0.5-unit contribution class and it being offered to Nauru, Samoa and Tonga</li> <li>- <b>note</b> the financial impact on members</li> <li>- <b>recommend</b> to the 2022 APPU Congress that a full review be undertaken of the financial contributions system</li> </ul>	<p>§§ 1.1 – 1.2</p> <p>§ 2.3</p> <p>§ 13.2 (i)</p> <p>§ 13.2 (ii)</p> <p>§ 13.2 (iii)</p> <p>§ 13.2 (iii)</p> <p>§ 13.2 (iv)</p> <p>§ 13.2 (iii)</p> <p>§ 11.2, Appendices 1 – 2</p> <p>§§ 8.3 (iii), 12.2, 13.1 (iv), 13.3</p>

## **1. Introduction**

- 1.1 Nauru has requested a reduction in annual contribution to the administrative expenses of the APPU. Currently, Nauru contributes at 1 unit (US\$2,650 for 2021). Their request is for a “nominal amount that can be afforded by us” (i.e., Nauru).
- 1.2 Nauru has also requested for its arrears (of unpaid contributions to the APPU administrative expenses) to be waived.
- 1.3 To make an initial assessment of these requests, the Finance Committee set up a Working Group comprising Australia (Chair), China, New Zealand and Thailand. The Finance Committee Working Group is referred to in this document as the FCWG.

## **2. Separation of the two issues**

- 2.1 The two issues raised by Nauru are being dealt with separately.
- 2.2 **The reduction in annual contribution** has been examined by the FCWG and the findings to date are reported in this document.
- 2.3 **The waiving of arrears** has not been examined in detail by the FCWG. A preliminary assessment was made that provided the following observations.
  - (i) There is currently no provision in the APPU Acts to waive arrears.
  - (ii) The APPU takes its lead regarding arrears from the UPU.
  - (iii) The UPU is currently finalising proposals on arrears for decision at its Congress scheduled for August 2021.<sup>1</sup>
  - (iv) The FCWG decided to wait until the UPU Congress had made its decision on waiving arrears following which it would undertake and complete a review of the Nauru request.
- 2.4 This document now deals with the reduction in annual contribution only.

## **3. Preparation for the Finance Committee Working Group**

- 3.1 Any work undertaken on member contributions can have significant implications. Accordingly, It was important for the request from Nauru to be managed with precision and accuracy regarding historical aspects of the APPU contributions system. To meet this requirement the Bureau made a thorough review of the relevant background following which it handed the findings to the FCWG.
- 3.2 The Bureau’s work covered the following points.
  - 3.2.1 A description of what the FCWG was required to do i.e., the activities set out in the initiating document for the review of the request from Nauru – EC 2019 Doc 5.1) viz.,
    - (i) verify the principles followed for the possible creation of a new 0.5 contribution class<sup>2</sup> for the APPU administrative expenses;

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<sup>1</sup> An update on the UPU Congress proposals regarding arrears will be available to APPU members during the 2021 EC session (Agenda Item 14 “Presentation on UPU contributions system - update from TF on Reform of the System”).

<sup>2</sup> The reference to a 0.5-unit contribution class was simply for the use of 0.5-units as a placeholder figure to get an initial indication of financial impact. It should not be interpreted as a proposal or recommendation.

- (ii) verify the initially-compiled data and calculations (in Appendix 1 of EC 2019 Doc 5.1);
- (iii) provide the EC with an opinion on the creation of the new 0.5-unit contribution class; and
- (iv) comment on how any confirmed anomalies in current APPU contribution unit classification might best be dealt with in the potential creation of a 0.5-unit class.

3.2.2 A review of relevant background material i.e.,

- (i) the basis on which the current contribution system was established in 1962 and then changed in 1966 and 1986;
- (ii) the relationship between the UPU and APPU contribution systems and the assumed principles on which the relationship was established<sup>3</sup>;
- (iii) financial aspects;
- (iv) options for how to make a decision on the request; and
- (v) the implications of creating a lower contribution class.

3.2.3 The Bureau also supplied the FCWG with a detailed analysis of the contribution class history of all 32 members. This was done for completeness of information and to ensure any other issues or anomalies were brought to the attention of the FCWG.

**4. FCWG consideration – broad approach**

4.1 In order to respond to the four questions in paragraph 3.2.1, the framework for the FCWG's assessment took the following form.

- (i) An assessment of the APPU contribution class system.
- (ii) The relationship between the APPU and UPU contribution class systems (and the relevance of a relationship between the two systems).
- (iii) The annual contribution costs when other agencies' budgets are used as a guideline.
- (iv) The factors that might be used to guide a decision.
- (vi) An assessment of financial impact on all Union members if a lower contribution class is introduced.
- (vii) A review of apparent anomalies that were identified during the preparation of background material,

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<sup>3</sup> No documentation was located that set out the principles used for establishing the relationship between the UPU and APPU Contribution Class systems. Accordingly, the material prepared by the Bureau was compiled in the context of "assumed principles".

## 5. Assessment of APPU contribution class system

- 5.1 The APPU contribution class system has had three versions since the Union was formed in 1962. Table 1 is a summary of these, plus it includes the possibility of a further version to reflect the principle of the UPU adopting its 0.1-unit class in 2018.

**Table 1: Summary of APPU Contribution Class Versions**

Version	1	2	3	4 <sup>4</sup>
Introduced	1962	1966	1986	2023
No. of Classes	3	3	4	4 or 5
No. of Contribution Units in Each Class	7	5	5	5
	3	3	3	3
	1	2	2	2
			1	1
				To be decided

- 5.2 Comments on Versions 2 and 3 are as follows.

### 5.2.1 Version 2

The change in 1966 from 7/3/1 units to 5/3/2 units achieved a less financially-differentiated membership. To the extent possible, it was the establishment of semi-equal sharing as a positive basis for regional cooperation.

### 5.2.2 Version 3

The change in 1986 (i.e., the introduction in the APPU of a 1-unit class) was based on affordability. In particular, it followed the UPU decision in 1984 to introduce a special category for LDCs and other countries whose financial situation warranted a lower rate of contribution.

## 6. The relationship between the APPU and UPU contribution class systems (and the relevance of a relationship between the two systems)

- 6.1 The FCWG studied the APPU and UPU contribution class systems. The relationship is what the FCWG would call a “grouped arrangement” as shown in the example table below (Table 2). (Where a figure is highlighted in **yellow**, it indicates a change from the previous version of the grouped contribution classes.)

<sup>4</sup> This column is the “further version” referred to in paragraph 5.1.

**Table 2: Grouped Relationship between UPU and APPU Contribution Unit Classes**

Version of Grouped Relationship	Period Covered	Grouped UPU Contribution Unit Classes	APPU Contribution Unit Class	Grouping Outcome
1	1962-1965	25, 20	7	7 UPU classes grouped into 3 APPU classes
		15, 10, 5	3	
		3, 1	1	
2	1966-1985	50, 25, 20	5	8 UPU classes grouped into 3 APPU classes
		15, 10, 5	3	
		3, 1	2	
3	1986-2018	50, 40, 35, 25, 20	5	11 UPU classes grouped into 4 APPU classes
		15, 10, 5	3	
		3, 1	2	
		0.5 <sup>5</sup>	1 <sup>6</sup>	
4	From 2019	50, 47, 45, 43, 40, 37, 35, 33, 30, 27, 25, 23, 20, 17, 15, 13, 10, 7, 5	5	23 UPU classes grouped into 4 APPU classes
		3, 1	3	
		0.5 (ref Footnote <sup>3</sup> )	2	
		1 (ref Footnote <sup>6</sup> )	1	
		0.1 <sup>7</sup>		

6.2 The FCWG has been informed that no records were found regarding the reasons for the original groupings. However, commonsense suggests that in a membership initially comprising four members, if the UPU system was the reference point then grouping had to be implemented.

6.3 In looking back at the groupings originally adopted and then largely retained through to the present day, the FCWG has assumed that aspects such as scale and relevance (of the UPU system to the APPU system) are factors for the groupings continuing to be as they are today. In this respect, the FCWG took two snapshots (1974 and 2019) of key comparisons between the UPU and the APPU. Table 3 presents these snapshots, partly to inform, partly to make the point that exactness in ratios and mathematical comparisons of the two systems might not be valid.

**Table 3: Comparative Data for Scale and Relevance between UPU and APPU**

Feature	1974		2019	
	UPU	APPU	UPU	APPU
Members	150*	11	193	32
Contribution classes	8	3	23	4
Avg number of members per contribution class	18.8	3.7	8.4	8
Budget (\$US)	5,000,000*	40,000	38,154,400 <sup>8</sup>	210,000
Contribution units (No.)	700	41	830.5	77
Contribution unit (\$US)	7,142*	975	45,941	2,650

\* Estimate for demonstration purposes only – actual data not available

<sup>5</sup> Available only to LDCs and other countries designated by the CA.

<sup>6</sup> Available only to LDCs and other countries as decided in the UPU system.

<sup>7</sup> Available only to SIDS with population less than 200,000.

<sup>8</sup> Source: UPU 2019 Programme and Budget. Published Regular Budget of CHF 37,235,000, converted to USD using OANDA exchange rate for 1 July 2019 of CHF1 = US\$1.02469.



- 6.4 Scale and relevance is also analysed regarding the ratio between the respective highest and lowest contribution unit classes. Table 4 quantifies these ratios.

**Table 4: Comparison of Ratios between Highest and Lowest Contribution Unit Classes**

Version <sup>9</sup>	UPU			APPU		
	Highest Class (Units)	Lowest Class (Units)	Ratio (H:L)	Highest Class (Units)	Lowest Class (Units)	Ratio (H:L)
1	25	1	25:1	7	1	7:1
2	50	1	50:1	5	2	5:2
3	50	0.5	100:1	5	1	5:1
4	50	0.1	500:1	5	Pending	N/A

- 6.5 On the one hand, the FCWG notes the huge disparity between the two systems as represented through the respective ratios. While the APPU has a significantly different financial model to the UPU (size of budget, number of contribution units, etc), the (APPU) affordability question might be more relevant now than when the current system was designed to achieve a less financially-differentiated membership.
- 6.6 Although the FCWG is not convinced that direct comparison with the UPU system is a valid basis for APPU decisions on the Nauru question, there may, nevertheless, be a case for making some allowance as an interim measure. However, any interim measure must be mindful of the impact on other members.

## **7. Affordability**

- 7.1 An agency such as the APPU finds it very difficult to calculate what is affordable for a member to contribute to operating expenses. Accordingly, for a request based on a financial outcome “that can be afforded” by Nauru, there are few reference points that help.
- 7.2 The FCWG took what data was available to see if it provided guidance on the affordability question. This information follows.

### **7.2.1 Nauru in the UPU**

- (i) Nauru joined the UPU in 1969. It is not known which contribution class Nauru selected. It is assumed it was the 1-unit class.
- (ii) Nauru was in the UPU 1-unit class up until 31 December 2018. From 1 January 2019, Nauru, consequent upon the 2018 Addis Ababa decision, moved to the 0.1-unit class.

### **7.2.2 Nauru in the APPU**

- (i) Nauru joined the APPU in 1985 and was placed in the 2-unit APPU class.
- (ii) In 1998, the EC approved Nauru's request to move down to the 1-unit APPU class. The issue was affordability (even though Nauru was not an LDC and, therefore, did not qualify for the 1-unit APPU contribution class).

<sup>9</sup> The Versions are as set out in Table 2.

### 7.2.3 Nauru contribution to other agencies and pro rata calculations re APPU

- (i) The FCWG looked at what Nauru pays to other agencies and how those contributions might translate to the contribution to the APPU.
- (ii) Two examples are set out in Table 5 below.

**Table 5: Application Of Other Agency Contribution Percentages To APPU Budget**

Organisation	Nauru Contribution (\$US)	Nauru Contribution as % of Total Budget of UN / UPU	Equivalent Contribution to APPU (\$US)
UN General Budget 2020	30,846	0.001	7
UPU General Budget 2019	4,900	0.012	25

- (iii) Table 5 essentially says that if we applied the percentage contribution Nauru makes to the total expenses of the UN or UPU general budgets, the corresponding annual payment to the APPU budget would be US\$7 or US\$25 respectively.

### 7.2.4 Applying the “UPU 0.1-unit contribution” to the APPU budget

- (i) Table 6 is a calculation that applies the UPU 0.1-unit contribution to the current APPU contribution unit (currently set at US\$2,650).

**Table 6: Calculation Of 0.1-Unit Contribution to APPU Budget**

APPU Contribution Base	Current Value (\$US)	Adjustment	New Contribution (\$US)
2 units	5,300	10% of contribution class (i.e., the 2018 UPU change)	530
1 unit	2,650	10% of contribution class (i.e., the 2018 UPU change)	265

- (ii) Table 6 essentially says that if the APPU followed the UPU and created the equivalent of the UPU 0.1-unit contribution class then, depending on which contribution class was selected as the base (i.e., 2 units or 1 unit), the “10% rate” would be either US\$530 or US\$265.

7.3 The FCWG concluded that neither Table 5 nor Table 6 provides any real guidance on the affordability question.

## 8. Decision-making guidance

8.1 From the material that the FCWG has considered, there are some aspects that are quite clear and some that are not.

8.2 The FCWG considered the following points to be in the “quite clear” category.

- (i) There is no direct relationship (i.e., one-for-one) between the contribution class systems of the UPU and APPU. Nor is there a direct relationship between groups of contribution classes in the UPU and respective classes in the APPU.<sup>10</sup>
- (ii) The current contribution class system in the APPU produces minimal financial distinction between members. On the other hand, the UPU system has significant financial

<sup>10</sup> “Direct relationship” means a mathematical correlation.

distinction between members. (Neither of these two points is made to assert “one is right, one is wrong” – it is simply an observation of fact.)

- (iii) The scale of difference across all financial facets of the two organisations results in meaningful comparisons or guidance not being available.
- (iv) The APPU has provided an affordability option for members that qualify for a contribution reduction. That said, the UPU has recognised the significantly reduced financial capacity of members with low populations and low levels of industrial development. The FCWG believes that the APPU cannot ignore this.

**8.3 Aspects that are not clear are as follows.**

- (i) “Affordability” cannot be quantified.
- (ii) Is there a point at which membership is (or will be) too expensive for members? Conversely, is there a point at which membership is too cheap?
- (iii) A number of members contribute much more than the annual membership fee. Hence, a comparison between the contribution levels for 5, 3, 2 and 1 units, is not the full picture. Does this mean that the APPU has, in fact, outgrown the principle of minimal financial distinction between members? Further, does it also mean that the Union should review its contribution system with a view to:
  - (a) creating more emphasis on collectively-funded activities and the scrutiny that is applied through such an arrangement; and
  - (b) providing more scope to recognise the differences in the financial capacity of members.

**9. Scope for Nauru to reduce APPU contribution**

- 9.1 Under the current APPU General Regulations, there is no contribution class below the 1-unit class. Accordingly, for Nauru to reduce its contribution, it would require the APPU to amend Article 116 of the General Regulations and create a new contribution class. There is a precedent for a change of this nature to be made.<sup>11</sup>

**10. Other members in the same situation as Nauru**

- 10.1 There are two other members in the same situation as Nauru i.e., countries recognised by the United Nations as SIDS, with a population of under 200,000 (as per the latest statistical information published by the relevant office of the United Nations). These members are Samoa and Tonga. Whatever decision is made regarding Nauru, should also be offered to Samoa and Tonga.

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<sup>11</sup> The APPU added (APPU Bangkok Congress, 1985) the 1-unit class to reflect, in principle, the 0.5-unit class (UPU Hamburg Congress, 1984) in the UPU system.

## 11. Financial impact of making a reduction in the contribution unit for Nauru, Samoa and Tonga

- 11.1 Appendix 1 sets out the impact of making a reduction in the contribution unit for Nauru, Samoa and Tonga, as well the increased contribution cost for other members. This material uses a range of values for the contribution unit for the three members in the UPU 0.1-unit class i.e., from 0.1 units to 1 unit (at 0.1-unit intervals). Accordingly, the impact is wide-ranging and is not able to be summarised in this part of EC 2021 Doc 5.1. Notwithstanding, Appendix 2<sup>12</sup> sets out the detailed impact on all members if a new contribution class of 0.5 units was established.
- 11.2 The topline summary of financial impact for a reduced contribution set nominally at 0.5 units is in Table 7 below (figures are based on the 2020 contribution unit of US\$2,650).

**Table 7: Topline Summary of Impact of 0.5-Unit Contribution Class<sup>13</sup>**

Member	Change
Nauru	Reduction of US\$1,282
Samoa	Reduction of US\$1,282
Tonga	Reduction of US\$3,932
1 unit contributors	Increase of US\$87
2 unit contributors	Increase of US\$173
3 unit contributors	Increase of US\$260
4 unit contributor <sup>14</sup>	Increase of US\$346
5 unit contributors	Increase of US\$433

## 12. General observations

- 12.1 Appendix 3 is a schedule of key data for the 32 APPU members. It has been compiled to ensure the base information used for the Nauru assignment is visible and, thus, able to be reviewed by parties for accuracy etc. There are some points arising from the information in Appendix 3 that the FCWG recommends be taken up by the Bureau with individual members where applicable.
- 12.2 Paragraph 8.3 (iii) commented that many members contribute more (financially) to the APPU than the fees generated through the contribution class system. The FCWG observed that the overall financial management of the Bureau is fragmented<sup>15</sup> and that this might reflect in how business unit activities are able to be managed. All members, via a comparatively small contribution can access the full resources of the Bureau but not necessarily participate in the cost of the full resources. The FCWG recognises this as a complex matter that has developed over a period of 44 years. It is outside the scope of the FCWG's mandate on the Nauru question to explore this issue and make recommendations. Nevertheless, in what has probably been the first detailed examination of the Union's financial history for some years, it is an observation that an incoming EC may wish to examine in detail to confirm either continued relevance of the current contributions system or proposals to modify.

<sup>12</sup> Appendix 2 is an updated version of the original document tabled at the 2019 Tokyo EC meeting as EC 2019 Doc 5.1 Appendix 1.

<sup>13</sup> Reference Appendix 2

<sup>14</sup> Specific class selected by Bangladesh when it increased its contribution by 2 units at the 2019 Tokyo EC meeting.

<sup>15</sup> The Consultancy Section is funded by 6-8 members, the Training Section is funded by 9 members, the Administrative Section is funded by 32 members.

### 13. FCWG summary and conclusions

13.1 The summary and conclusions of the FCWG on the request from Nauru for a reduced contribution to the administrative expenses of the APPU are as follows.

- (i) The request is based on a change by the UPU whereby Nauru's contribution (to the UPU) has been reduced by 90% (from 1 unit to 0.1 unit). Nauru has not requested the same reduction (i.e., 90%) for its APPU contribution. Instead, Nauru has requested a reduction to a level "that can be afforded by us". Affordability is not something that the FCWG could quantify.
- (ii) Close examination of the contribution systems in the UPU and APPU reveals increasing differences between the two organisations' systems. This examination also demonstrates that it is not valid to apply mathematical alignment between the contributions to the UPU and to the APPU. Among the factors that lead to this statement are aspects such as:
  - (a) scale: the UPU Regular Budget is more than 180 times the APPU Administrative Budget;
  - (b) contribution options: the UPU has 23 contribution classes, the APPU has 4; and
  - (c) contribution range: the ratio between the highest and lowest contribution classes in the UPU is 500:1, while in the APPU it is 5:1.
- (iii) The UPU contribution model, influenced by the size of its budget, is designed to achieve continuing affordability for all members. The APPU contribution model, also influenced by size of its budget, was designed to achieve minimal financial distinction between members as a means of achieving regional cooperation.
- (iv) The UPU financial system has had intense review. The APPU system has been reviewed once (1985). There are reasons why the APPU should consider a review in its next cycle.

13.2 Regarding the four points that the Finance Committee was asked to specifically review, the FCWG advises the following.

- (i) Verify the principles followed for the possible creation of a new 0.5 contribution class<sup>16</sup> for the APPU administrative expenses: the FCWG has not found any principles on which to base a mathematically-justified case for a reduced contribution class of, say, 0.5 units.
- (ii) Verify the initially-compiled data and calculations (in Appendix 1 of EC 2019 Doc 5.1): the FCWG has verified the data as correct. An updated version is at Appendix 2.
- (iii) Provide the EC with an opinion on the creation of the new 0.5-unit contribution class: while sub-paragraph (i) above states that there are no principles on which to base a mathematically-justified case for a reduced contribution class, the FCWG has noted the particular statistic regarding contribution range viz., the ratio between the highest and

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<sup>16</sup> The reference to a 0.5-unit contribution class was simply for the use of 0.5-units as a placeholder figure to get an initial indication of financial impact. It should not be interpreted as a proposal or recommendation.

lowest contribution classes in the UPU is 500:1, while in the APPU it is 5:1. The FCWG is of the view that the spirit / principle of the Addis Ababa decision could be reflected in the creation of a 0.5-unit class.

- (iv) Comment on how any confirmed anomalies in current APPU contribution unit classification might best be dealt with in the potential creation of a 0.5-unit class: the further examination of all members (as summarised in Appendix 3) highlights some areas where the Bureau could undertake some inquiries. However, the FCWG has not noted any matters that require documentation in this report.

13.3 The contributions system in the APPU has been largely untouched in its almost 60 years of operation (apart from the minor changes identified in paragraph 5). In the meantime, the financial consumption of the Union is now six times that of the funds provided through the contributions system. It may be time to make a thorough review to ensure the current contribution model serves the Union best.

## **Appendix 1**

# **Impact Assessment of Range of New Contribution Classes**

### Impact Of Reducing Contribution Unit For Nauru, Samoa And Tonga

1	2	3	4	5	6	7	8	9
Range of Options for "SIDS-Low Population" Unit	Impact on Nauru, Samoa, Tonga						Impact On Contribution Unit For Other Members	
	Nauru		Samoa		Tonga		Increase	Increase
	New Unit US\$	Reduction US\$	New Unit US\$	Reduction US\$	New Unit US\$	Reduction US\$	US\$	%
0.1	278	2,372	278	2,372	278	5,022	130	4.91%
0.2	556	2,094	556	2,094	556	4,744	119	4.50%
0.3	834	1,816	834	1,816	834	4,466	108	4.08%
0.4	1,112	1,538	1,112	1,538	1,112	4,188	97	3.67%
0.5	1,390	1,260	1,390	1,260	1,390	3,910	87	3.27%
0.6	1,668	982	1,668	982	1,668	3,632	76	2.86%
0.7	1,946	704	1,946	704	1,946	3,354	65	2.46%
0.8	2,224	426	2,224	426	2,224	3,076	55	2.07%
0.9	2,502	148	2,502	148	2,502	2,798	44	1.67%
1.0	2,780	-130	2,780	-130	2,780	2,520	34	1.28%

To assist reading of the table, the column descriptions are as follows.

**Column 1:** a range of new contribution unit options from 0.1-unit to 1-unit (the latter being the status quo for Nauru and Samoa).

**Columns 2, 4 and 6:** the new contribution unit in US\$ for each of the three members.

**Columns 3, 5 and 7:** the reduction to current costs that the new contribution unit would provide for each of the three members.

**Column 8:** the increase in contribution unit in US\$ for the other 29 members for each of the options in Column 1. (**Note:** Column 8 deals only with the increase in the contribution unit. For members in the 5, 4, 3 or 2 unit classes, the actual increase would be the figure in Column 8 multiplied by the number of contribution units of the individual member.)

**Column 9:** the percentage increase for membership contributions for the other 29 members for each of the options in Column 1.



## **Appendix 2**

### **Impact Assessment of New 0.5-Unit Contribution Class**

Impact Assessment of New (0.5-unit) APPU Contribution Class (using 2020 data)					
1 contribution unit = US\$	2,650		1 contribution unit = US\$	2,737	
Country	Current Contribution Class	Cost (US\$)	Revised Contribution Class	Cost (US\$)	Change (US\$)
Afghanistan	1	2,650	1	2,737	87
Australia	5	13,250	5	13,683	433
Bangladesh	4	10,600	4	10,946	346
Bhutan	1	2,650	1	2,737	87
Brunei Darussalam	2	5,300	2	5,473	173
Cambodia	1	2,650	1	2,737	87
China	5	13,250	5	13,683	433
Fiji	2	5,300	2	5,473	173
India	5	13,250	5	13,683	433
Indonesia	3	7,950	3	8,210	260
Iran	3	7,950	3	8,210	260
Japan	5	13,250	5	13,683	433
Korea	5	13,250	5	13,683	433
Lao	1	2,650	1	2,737	87
Malaysia	2	5,300	2	5,473	173
Maldives	2	5,300	2	5,473	173
Mongolia	2	5,300	2	5,473	173
Myanmar	1	2,650	1	2,737	87
Nauru	1	2,650	0.5	1,368	- 1,282
Nepal	2	5,300	2	5,473	173
New Zealand	5	13,250	5	13,683	433
Pakistan	3	7,950	3	8,210	260
Papua New Guinea	2	5,300	2	5,473	173
Philippines	2	5,300	2	5,473	173
Samoa	1	2,650	0.5	1,368	- 1,282
Singapore	2	5,300	2	5,473	173
Solomon Islands	1	2,650	1	2,737	87
Sri Lanka	3	7,950	3	8,210	260
Thailand	2	5,300	2	5,473	173
Tonga	2	5,300	0.5	1,368	- 3,932
Vanuatu	1	2,650	1	2,737	87
Vietnam	2	5,300	2	5,473	173
<b>Total</b>	<b>79</b>	<b>209,350</b>	<b>76.5</b>	<b>209,350</b>	<b>0</b>

## **Appendix 3**

# **Membership Information**

Membership Information										
Member (1)	Year of Joining UPU	Year of Joining APPU	UPU Contribution Class (Units)	APPU Contribution Class (Units)		IC/DC	LDC	LLDC	SIDS	
				Entitled (2)	Selected (3)				As Generally Defined (4)	Meets UPU Special Conditions (5)
China	1914	1962 (6)	26.5 (7)	5	5	DC				
Korea (8)	1900	1962 (6)	15	3	5	DC				
Philippines	1922	1962 (6)	1	2	2	DC				
Thailand	1885	1962 (6)	3	2	2	DC				
Japan	1877	1968	50	5	5	IC				
Lao	1952	1968	0.5	1	1	DC	✓	✓		
Australia	1907	1969	20	5	5	IC				
Indonesia	1877	1970	10	3	3	DC				
New Zealand (9)	1907	1970	5	3	5	IC				
Pakistan	1947	1970	10	3	3	DC				
India	1876	1973	20	5	5	DC				
Bangladesh (10)	1973	1976	3	2	4	DC	✓			
Malaysia	1958	1976	3	2	2	DC				
Papua New Guinea	1976	1976	1	2	2	DC			✓	
Sri Lanka (11)	1949	1979	3	2	3	DC				
Singapore	1966	1981	1	2	2	DC			✓	
Bhutan	1969	1982	0.5	1	1	DC	✓	✓		
Maldives	1967	1982	1	2	2	DC			✓	
Nepal (12)	1956	1982	0.5	1	2	DC	✓	✓		
Iran	1877	1983	5	3	3	DC				
Nauru (13)	1969	1985	1	2	1	DC			✓	✓
Viet Nam	1951	1987	1	2	2	DC				
Afghanistan	1928	1988	0.5	1	1	DC	✓	✓		
Brunei	1985	1988	1	2	2	DC				
Cambodia (14)	1951	1988	1	2	1	DC	✓			
Fiji	1971	1997	1	2	2	DC			✓	
Myanmar (15)	1949	1998	1	2	1	DC	✓			
Solomon Islands	1984	1998	0.5	1	1	DC	✓		✓	
Mongolia	1963	2002	1	2	2	DC		✓		
Vanuatu (16)	1982	2007	1	2	1	DC	✓		✓	
Tonga	1972	2008	1	2	2	DC			✓	✓
Samoa (17)	1989	2011	0.5	1	1	DC			✓	✓

(1) Members are listed in alphabetical order according to the year they joined the APPU.

(2) Based on the UPU contribution class of the member, this Column indicates which APPU contribution class the member is entitled to select.

(3) This Column indicates the APPU contribution class that the member has selected.

(4) "As generally defined" means that countries identified in the Column meet the general definition of a SIDS.

(5) "Meets UPU Special Conditions" means that countries identified in the Column qualify for the 0.1-unit UPU contribution class.

(6) China, Korea, Philippines and Thailand joined the Union prior to 1965 when the contribution classes were 7, 3 and 1 units. The actual classes the members were assigned are not known. The information in Appendix 2 is the earliest data located for these four members.

(7) The 26.5 contribution units for China has three elements. The China contribution class is 25 units. After the resumption of the exercise of sovereignty over Hong Kong by the People's Republic of China on 1 July 1997, Hong Kong China pays one contribution unit to the UPU. Since 2009, Macao, China has paid 0.5 contribution units to the UPU.

(8) Korea opted for a higher APPU contribution class in 2008.

(9) New Zealand was in the 25-unit UPU class on joining the APPU and was placed in the 5-unit APPU class. It has remained in the 5-unit class despite reducing to 5 units in the UPU system.

(10) Bangladesh opted for a higher contribution class at the 2019 Tokyo EC meeting and nominated a contribution of 4 units.

(11) Sri Lanka qualifies for the 2-unit APPU contribution class. However, Sri Lanka selected the 3-unit class on joining the APPU.

(12) Nepal was placed in the 2-unit class when it joined the APPU. As an LDC, Nepal could have moved to the 1-unit APPU class when the UPU introduced its 0.5-unit class for LDCs (in 1984). Nepal has continued as a 2-unit contributor to the APPU.

(13) Nauru was placed in the 2-unit class on joining the APPU. In 1998, the EC approved Nauru's request to move down to the 1-unit APPU class. The issue was affordability (even though Nauru was not an LDC and, therefore, did not qualify for the 1-unit class).

(14) Cambodia takes advantage of its LDC status in the APPU and contributes 1 APPU unit. However, in the UPU, Cambodia does not take advantage of its LDC status and contributes 1 UPU unit.

(15) Myanmar takes advantage of its LDC status in the APPU and contributes 1 APPU unit. However, in the UPU, Cambodia does not take advantage of its LDC status and contributes 1 UPU unit.

(16) Vanuatu takes advantage of its LDC status in the APPU and contributes 1 APPU unit. However, in the UPU, Vanuatu does not take advantage of its LDC status and contributes 1 UPU unit.

(17) Samoa graduated from the LDC group in 2014. However, it appears that the UPU (CA) has not moved Samoa out of the 0.5-unit contribution class.

## Finances of the Union

### Foreign exchange management – update on review of Administrative Section practices (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
<p>Informing the EC, via the Finance Committee, on:</p> <ul style="list-style-type: none"> <li>- the related activity for foreign exchange management i.e., the report on implementation of a system to deal with the “loss on foreign exchange” in the financial transactions and reporting of the Training Section</li> <li>- an initial assessment of the Training Section solution being appropriate for the Administrative Section</li> <li>- internal procedures associated with audit requirements and general questions on reporting that need to be reviewed prior to proceeding with any implementation activity</li> <li>- the next steps to complete the review</li> </ul>	<p>§ 1, EC 2021 Doc 5.2 Add 1</p> <p>§§ 2.1 – 2.4</p> <p>§ 2.4</p> <p>§ 3</p>
<p><b>2. Decisions expected</b></p> <p>The EC, via the Finance Committee, is asked to:</p> <ul style="list-style-type: none"> <li>- <b>note</b> the successful introduction of a foreign exchange management process in the Training Section</li> <li>- <b>note</b> that the Training Section solution appears to be appropriate for implementation in the Administrative Section</li> <li>- <b>note</b> that internal procedures associated with audit requirements and some general reporting questions need to be reviewed prior to implementation of a solution</li> <li>- <b>note</b> the next steps in the review, including the possible use of an external expert to advise on internal procedures and general reporting</li> <li>- <b>note</b> that any cost involved in using an external expert would be met from the Administrative Section Reserve Fund and that this expenditure is covered separately in EC 2021 Doc 5.3</li> </ul>	<p>§ 1, EC 2021 Doc 5.2 Add 1</p> <p>§§ 2.1 – 2.4</p> <p>§ 2.4</p> <p>§ 3.1</p> <p>§ 3.3, EC 2021 Doc 5.3</p>

## 1. Introduction

- 1.1 The 2019 Tokyo GB meeting requested the Training Section of the Bureau to establish a position on foreign exchange that could be operationalised subject to necessary approvals.
- 1.2 The Bureau has completed its work, and a changed process was implemented in 2020 that significantly reduced exposure to negative exchange rate fluctuations for the Training Section. The process and outcome were presented to the 2021 Governing Board meeting in GB 2021 Doc 9. The GB document is included with this EC document as EC 2021 Doc 5.2 Add 1.

1.3 Because the Administrative Section of the Bureau also deals with foreign exchange, the 2020 EC meeting approved a review being undertaken of foreign exchange management in the Administrative Section with a view to implementing the same solution that had been developed for the Training Section.

1.4 This document now reports on foreign exchange management in the Administrative Section.

## **2. Initial assessment of Training Section solution for Administrative Section**

2.1 The Training Section solution has two main aspects.

- (i) Only retain USD sufficient to meet expenditure requirements in that currency.
- (ii) Convert (to Baht) any USD not required for expenditure in that currency.

2.2 The Administrative Section is the same currency model as the Training Section was prior to the (Training Section) change in foreign exchange management in 2020 i.e.,

- the Administrative Section receives its income in USD;
- when required by the business, USD are converted to Baht; and
- the balance is retained in USD.

2.3 As with the Training Section, the declining value of the Baht (against the USD) over recent years has reduced the Baht value of the USD balance being held. However, this reduction in value has never been highlighted in the annual Audit Reports because the Administrative Section reports in USD for audit purposes (whereas the Training Section reports in Baht). Thus, because the Administrative Section holds most of its cash in USD, the exchange rate factor has always been minimal – and has never been raised. As with the Training Section, however, the practice of holding mainly USD means that the business continually risks the loss of local currency value.

2.4 From the initial assessment, the Training Section solution appears to be appropriate for the Administrative Section. However, the initial assessment has identified some internal Journal procedures associated with audit requirements, as well as some general reporting questions. These need to be reviewed so that the Bureau fully understands any implications of changing current practices. Currently, it is too early to say whether this review will require external expertise.

## **3. Next steps**

3.1 The actions that are planned for foreign exchange management in the Administrative Section are as follows.

- (i) Document the proposed foreign exchange management model including the internal Journal procedures for audit and reporting purposes.
- (ii) The Bureau, working with the Auditor, to review the proposed foreign exchange management process to confirm the nature and extent of any issues from an audit perspective. This work would also identify (or try to identify) the solution to any issues.
- (iii) If sub-paragraph (ii) above resolves the issues and the Bureau can proceed with the implementation of the proposed foreign exchange management process, then the next step is in sub-paragraph (v) below.

- (iv) If sub-paragraph (ii) does not resolve the issues then an external expert will be identified and asked to give an independent view on how / whether the solution should be implemented in the Administrative Section.
  - (v) Update the Finance Committee on the outcome of the review including the future process for foreign exchange management in the Administrative Section.
- 3.2 In terms of timing for the steps outlined in paragraph 3.1, the intention is to complete the work by the end of 2021.
- 3.3 Any cost for the external review would be met from the Administrative Section Reserve Fund (ASRF). This is covered in EC 2021 Doc 5.3.

**REPORT ON IMPLEMENTATION OF FOREIGN EXCHANGE MANAGEMENT: TRAINING SECTION: 2020**  
**Document prepared by Reform Consultant**

1. Subject	References/paragraphs
Informing the Governing Board (GB) (with information copies to the Chairs of the APPU Finance Committee and the APPU/UPU Reform Working Group) on the implementation by the Bureau of policy and practice for the management of foreign exchange.	§§ 1 - 7
<b>2. Decisions expected</b>  The GB is asked to: <ul style="list-style-type: none"> <li>- <b>note</b> the background to the implementation of policy and practice to manage foreign exchange for the Training Section, particularly the continued issues that resulted in the 2019 Tokyo GB requesting a solution be operationalised</li> <li>- <b>note</b> that the <b>Bureau undertook the design and implementation of the management process without assistance from the Reform Consultant</b>, but asked the Reform Consultant to review the outcome</li> <li>- <b>note</b> the summary of objectives and activities involved in the management process</li> <li>- <b>note</b> that the Bureau has done extremely well in terms of the process implemented</li> <li>- <b>note</b> that the implementation of the foreign exchange management system has reduced the value of US\$ in bank accounts from 73% to 26% of funds held</li> <li>- <b>further note, with satisfaction</b>, that the reduction in US\$ held in bank accounts has, in turn, resulted in a 95% decrease in US\$ exposed to foreign exchange movements</li> <li>- <b>note</b> the detailed values of Baht and US\$ held and the changes in 2020 to these values</li> <li>- <b>note</b> the gain of 576,000 THB made against the target conversion rate for 2020 through the exchange of excess US\$</li> <li>- <b>note</b> that the Reform Consultant has provided the Bureau with policy and practice documentation (after the implementation)</li> <li>- <b>note</b> that the Reform Consultant considers the overall outcome achieved by the Bureau to be an excellent piece of work</li> </ul>	§§ 1.1 - 1.2  §§ 1.3 - 1.4  §§ 2.1 - 2.2  § 3.1  § 3.3.1  § 4.3, Table 3  § 5.4, Table 4  § 5.6  § 6.1  § 7.1

**1. Introduction**

- 1.1 Annual financial audit reports have highlighted losses on foreign exchange for the Training Section year-on-year. As a result, the 2019 Tokyo APPC GB meeting requested the Bureau to put into operation a system that would minimise exchange rate issues for the Training Section.
- 1.2 The 2020 online APPC GB meeting noted a document (GB 2020 Doc 9) that responded to the request made at Tokyo. GB 2020 Doc 9 set out a proposed approach for dealing with the exchange rate losses.



1.3 The recommendations in GB 2020 Doc 9 have now been implemented solely by the Bureau, **with no involvement of the Reform Consultant.**

1.4 This report on the implementation of foreign exchange management has been prepared by the Reform Consultant at the request of the Bureau.

## **2. Key features that the Bureau's foreign exchange management system should have**

2.1 In making this review, the Consultant was looking for a process that achieved the two objectives of the foreign exchange management initiative as below.

- (i) Reduced the amount of US\$ held in bank accounts to a level that is sufficient to cover budgeted current year needs plus a percentage margin for contingency purposes.
- (ii) Converted US\$ excess to current year needs to THB at no less than the exchange rate agreed for budgeting and conversion for 2020.

2.2 In the context of paragraph 2.1, the foreign exchange management system for the Bureau would have the following activities.

**Activity 1:** Researched and monitored exchange rate data to support the selection of an agreed rate for the operational year.

**Activity 2:** Cash-flow analysis to identify when US\$ (and any other foreign currency) might be deposited with the Training Section.

**Activity 3:** Cash-flow analysis to identify the timing and value of US\$ required for the business during an operational year.

**Activity 4:** A target exchange rate to be used for budgeting and converting US\$ to THB.

**Activity 5:** A record of conversions made from US\$ to THB benchmarked against the target exchange rate.

**Activity 6:** A report on the activities undertaken to manage foreign exchange during the operational year.

## **3. Assessment of foreign exchange management system implemented by the Bureau**

3.1 **The Bureau has done extremely well** in implementing a foreign exchange management system. Of the activities outlined in paragraph 2.2 above, the following have been completed.

**Activity 1:** Researched and monitored exchange rate data to support the selection of an agreed rate for the operational year.

**Activity 3:** Cash-flow analysis to identify the timing and value of US\$ required for the business during an operational year. (See also paragraph 3.3 for further comment.)

**Activity 4:** A target exchange rate to be used for budgeting and converting US\$ to THB.

**Activity 5:** A record of conversions made from US\$ to THB benchmarked against the target exchange rate.

**Activity 6:** A report on the activities undertaken to manage foreign exchange during 2020.

3.2 Regarding **Activity 2**, the following comments are made.

3.2.1 **Activity 2:** Cash-flow analysis to identify when US\$ (and any other foreign currency) might be deposited with the Training Section) – this Activity was not relevant in 2020. This is because the greater part of the Training Section’s funds was in US\$ leading into 2020. Hence the first task was to reduce the amount of US\$ irrespective of the cash-flow of incoming funds.

3.3 Regarding **Activity 3** (cash-flow analysis to identify the timing and value of US\$ required for the business during an operational year), the following comments are made.

3.3.1 **The Bureau exceeded expectations in this area.** It identified the US\$ required for 2020, including a 10% contingency for unforeseen expenditure, and reduced its holdings of the currency accordingly. The net effect of this activity was to reduce US\$ from 73% to 26% of the Training Section’s funds (representing a major reduction in exposure). Table 1 below sets out the management of US\$ required for the business in 2020.

Table 1: US\$ Held v Required (2020)	
US\$ in Bank Accounts	
Account: 111-2000-74-7-840 (ref #4)	212,900
Account: 111-2000-74-9-840 (ref #8)	59,165
Total US\$ in Bank Accounts	272,065
Estimated 2020 Requirement	248,017
Plus 10% Contingency	24,802
Total 2020 US\$ Requirement	272,819
Excess US\$ Being Held	- 754

3.3.2 The “Excess US\$ Being Held” in the last line of Table 1 (i.e., -US\$ 754) is the 10% contingency component being marginally expended (by US\$ 754) – the result for 2020 is that all US\$ expenses were met, and the residual contingency amount was 9.70% (versus the targeted 10%). **Put simply, this is perfect money management.**

4. **Bureau implementation of foreign exchange management viewed through total currency deposits**

4.1 Table 2 below shows the financial status of each of APPC’s bank accounts at 31 December 2019 and 31 December 2020.

Table 2: Holdings in Training Section Bank Accounts										
Ref.	Bank account number	Account Currency	Balance at 31 December 2019			Balance at 31 December 2020			Change in Amount of Currency Held	
			Baht	US\$	Baht	Baht	US\$	Baht	Baht	US\$
1	198-201647-4	THB	1,276,069		1,276,069	15,014,902		15,014,902	13,738,833	N/A
2	198-201648-2	THB	7,431,743		7,431,743	8,498,114		8,498,114	1,066,371	N/A
3	111-2000-74-7-840	US\$		743,675	22,292,908		212,900	6,339,079	N/A	(15,953,829)
4	111-2000-74-9-840	US\$		38,831	1,164,301		59,165	1,761,624	N/A	597,323
Total			8,707,812	782,506	32,165,022	23,513,016	272,065	31,613,719	14,805,204	(15,356,507)

4.2 The key observations for foreign exchange management in 2020 are as follows.

- (i) Baht has increased by 170% from 8,707,812 to 23,513,016 (an increase of 14,805,204).
- (ii) US\$ has decreased by 65% (from 782,506 to 272,065 (a decrease of 510,441).
- (iii) The increase in US\$ in Account Ref. 8 of 20,334 needed to be done to ensure there was sufficient US\$ for retirement obligations for international staff.
- (iv) US\$ has decreased from 73% of the total value of cash held in the four bank accounts to 26%.

4.3 Overall in 2020, **there has been a 95% reduction in exposure of Training Section funds to foreign exchange variations.** This is excellent. Table 3 provides the calculation.

Table 3: Calculation of Exposure Reduction in 2020					
Date	US\$ Held	2020 US\$ Requirement (1)	US\$ Exposure	Reduction in Exposure (US\$)	Reduction in Exposure (%)
31 Dec 2019	782,506	248,017	534,489		
31 Dec 2020	272,065		24,048	510,441	96%
(1) Does not include 10% contingency					

## 5. Bureau implementation of foreign exchange management viewed through conversion transactions

5.1 Changing the value of US\$ as a percentage of total cash holdings is not a difficult task i.e., simply convert from US\$ to THB. However, that is not necessarily good foreign exchange management if the transactions do not meet a target exchange rate.

5.2 The Bureau established a target exchange rate using known data, as well as data forecasted by reputable sources. The information for setting the target rate is as follows.

- Known data
  - APPU Audit Report of 2019 financials: conversion rate of 29.9767 (31 December 2019)
- Forecasted data
  - Siam Commercial Bank: 29.5000 to 30.5000 range for 2020
  - Kasikorn Bank: 30.5000 by the end of 2020

- 5.3 The target rate for converting US\$ to THB during 2020 was agreed at 30.5000.
- 5.4 In terms of managing the foreign exchange transactions against this target rate, Table 4 sets out the business performance.

Table 4: US\$ to Baht Conversions: January to December 2020						
Date	Exchange Rate	US\$ Converted	Baht Received	Target Exchange Rate	Target Baht Expected	Business Performance
16/1/2020	30.1100	50,000	1,505,500	30.5000	1,525,000	(19,500)
30/4/2020	32.1900	50,000	1,609,500	30.5000	1,525,000	84,500
7/5/2020	32.3000	100,000	3,230,000	30.5000	3,050,000	180,000
17/7/2020	31.5400	100,000	3,154,000	30.5000	3,050,000	104,000
29/9/2020	31.5600	100,000	3,156,000	30.5000	3,050,000	106,000
8/10/2020	31.0900	100,000	3,109,000	30.5000	3,050,000	59,000
22/10/2020	31.1200	100,000	3,112,000	30.5000	3,050,000	62,000
<b>Total</b>		<b>600,000</b>	<b>18,876,000</b>		<b>18,300,000</b>	<b>576,000</b>

- 5.5 A realistic target exchange rate appears to have been set. Based on the data presented, it is possibly a little higher than it should have been given the rate at the beginning of the year was marginally below 30.
- 5.6 The business performance is excellent i.e., a surplus of 576,000 Baht was achieved against the target conversion rate.
- 5.7 The main area where the conversion transactions can be enhanced is a statement on how much US\$ can be converted at any one time. This relies in part on cash-flow (i.e., actually having the US\$ to convert), as well as knowing how much US\$ needs to be retained for calls on that currency.
- 6. Policy and practice documentation for foreign exchange management**
- 6.1 A policy document, including guideline timing for activities has been prepared by the Consultant and provided to the Bureau (this documentation was drafted after the Bureau had implemented the activities covered in this report).
- 7. Concluding remarks**
- 7.1 The Bureau has done very well in its implementation of foreign currency management. Excellent in fact.

## Finances of the Union

### Administrative Section Reserve Fund (ASRF): Budget Process Requirements and Expenditure Approval

(Document prepared by APPU Bureau)

<b>1. Subject</b>  Informing the EC, via the Finance Committee, on: <ul style="list-style-type: none"> <li>- the current level of the ASRF (Part 1)</li> <li>- the minimum financial level of the ASRF and any replenishment action necessary (Part 2)</li> <li>- proposals to use the ASRF for three items of expenditure (Part 3)</li> </ul>	References/paragraphs  § 2.1 §§ 3.1 – 3.4 §§ 4.1 – 4.9
<b>2. Decisions expected</b>  The EC, via the Finance Committee, is asked to: <ul style="list-style-type: none"> <li>- <b>note</b> the current level of the ASRF</li> <li>- <b>note</b> that the balance estimated to be carried forward to 2022 is more than adequate to meet reasonable funding requirements</li> <li>- <b>approve</b> the ASRF retaining its current minimum financial level of US\$80,000</li> <li>- <b>approve</b> no additional funds needing to be budgeted for the ASRF for 2022</li> <li>- <b>approve</b> the proposed expenditure ceilings from the ASRF of:                         <ul style="list-style-type: none"> <li>• US\$10,000 for the Archiving Project</li> <li>• US\$10,000 for APPU 60<sup>th</sup> Anniversary celebrations</li> <li>• US\$7,000 for external expertise to assist with finalising foreign exchange management in the Administrative Section</li> </ul> </li> </ul>	§ 2.1 § 3.3, Lines 5 and 6 § 3.4 (i) § 3.4 (ii) § 4.7 § 4.8 § 4.9

## 1. Background

1.1 EC Doc 5.3 deals with three items under the Administrative Section Reserve Fund (ASRF). The items are:

- (i) **Part 1:** advice to members on the current financial level of the ASRF
- (ii) **Part 2:** advice of the minimum financial level of the ASRF and a proposal to members on whether there will be a need to replenish the ASRF in the 2022 budget (the detail of the 2022 budget being covered in EC 2021 Doc 5 Annex 2); and
- (iii) **Part 3:** seeking approval for three items of expenditure from the ASRF between July 2021 and December 2022.

## 2. Part 1: current financial level of the ASRF

2.1 The Audit Report for 2020 for the Administrative Section states that the Reserve Fund had a balance at 31 December 2020 of US\$ 312,943.96.

### 3. Minimum financial level of ASRF and position regarding replenishment

3.1 The operational rules for the management and replenishment of the ASRF require the minimum amount of the Fund to be reviewed / calculated each year.<sup>1</sup> This is essentially a process that:

- (i) updates the EC on the adequacy of the ASRF to meet current and future financial needs; and
- (ii) identifies whether the current annual budgeting process needs to include an expense item to replenish the ASRF (if it has reduced below its approved minimum financial level), or to increase the funds held in the ASRF if the EC decides that the minimum financial level should be raised.

3.2 As further guidance, the operational rules specify what factors to take into account when making the annual review of the ASRF.<sup>2</sup> For example, if it is known that there will be a significant increase in salaries in the next year's budget, then the current minimum financial level of the ASRF might need to be increased (as alluded to in sub-paragraph (ii) above).

3.3 The table below sets out the key financial details of the ASRF.

Line No.	Item	Amount (US\$)	Comment
1	Minimum financial level required	80,000	Reference paragraph 2 of the approved rules for management and replenishment of the ASRF.
2	Opening financial level on 1 January 2021	312,944	Source: Audit Report for the Administrative Section (i.e., the closing balance on 31 December 2019).
3	Estimated spending from the ASRF between July 2021 and December 2022	27,000 <sup>3</sup>	1. Archiving project: 10,000 2. APPU 60 <sup>th</sup> Anniversary: 10,000 3. Foreign exchange mgmt: 7,000
4	Changes to Administrative Section business in 2022 that might impact on minimum financial level required	0	None known of at the time of drafting Finance Committee documentation.
5	Estimated closing balance of ASRF on 31 December 2021	285,944	The estimated closing balance is 257% above the minimum financial level required.
6	Estimate of additional funding required to cover reasonable requirements in 2022	0	There are adequate funds in the ASRF to more than cover reasonable requirements in 2022.

<sup>1</sup> Reference paragraph 6 of the "Operational rules for the management and replenishment of the ASRF" i.e., "The minimum amount of a Reserve Fund is calculated each year as part of the annual budgeting process. Where the ASRF has reduced below the fixed minimum level (as set out in Financial Regulation 2 (i.e., US\$80,000)), it is replenished, normally annually, to maintain the fixed minimum level through:

- (i) surplus unrestricted operating funds; and/or
- (ii) an expense included in the Administrative Section's annual budget."

<sup>2</sup> Reference paragraph 5 of the "Operational rules for the management and replenishment of the ASRF" i.e., "The financial level at which a Reserve Fund is set is based around risk and represents a financial amount sufficient to maintain ongoing operations and programmes for a set period of time, measured in months. The calculation of average monthly operating expenses includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, programmes, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation."

<sup>3</sup> The estimated expenditure of US\$27,000 is covered in detail in paragraph 4 of EC 2021 Doc 5.3.

3.4 On the basis of the detail in paragraph 3.3 the Bureau **recommends** that the Finance Committee:

(4) **retains** the minimum financial level for the ASRF at US\$80,000; and

(4) **approves** no additional funds being necessary for the ASRF in the 2022 Administrative Section budget.

**4. Part 3: approval of expenditure from the ASRF**

4.1 There are three items of expenditure from the ASRF that are submitted to the Finance Committee for consideration.

4.2 The operational rules for the management and replenishment of the ASRF set out the criteria and process for accessing the Fund. (The rules are attached as an Appendix to assist the Finance Committee in its consideration of Part 3 of EC 2021 Doc 5.3.)

4.3 The three expenditure items are:

(i) Priority project: Archive management (US\$10,000)

(ii) Milestone activity: APPU 60<sup>th</sup> Anniversary in 2022 (US\$10,000)

(iii) Business practice strengthening: Foreign exchange management (US\$7,000)

4.4 A key reason for seeking approval is to enable the Bureau to continue its business in real-time. In this regard, the amounts identified are maximum values that may or may not be spent. However, in the knowledge that financial approval exists, the Bureau can continue / accelerate activity and not face the delays that waiting for the next budget cycle creates.

4.5 In conjunction with paragraph 4.4, any use of funds would involve the Bureau's disciplined approach to minimising costs and detailed reporting.

4.6 For ease of assessment of the three expenditure items, a standard format has been used which follows in paragraphs 4.7, 4.8 and 4.9.

#### 4.7 Priority project: Archive management

Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Priority project	Archive management	ASRF 01	US\$10,000

Line	Discussion Point	Rule Reference	Comment
1	Activity description	N/A	The Bureau has an urgent need to update its records management system and practices. Documents of historic importance, documents of legal consequence, documents of a policy and / or business continuity nature require consolidation, digitisation (including standardisation of classification) and cataloguing / filing in a “modern” system.
2	Type of approval requested	N/A	Final approval, subject to the reporting and monitoring in Line 9.
3	Classification of activity	N/A	This is a basic business requirement. It is fundamental to good management that relies on information being available via a professional office system.
4	ASRF criteria – purpose	Rule 3	Availability of financial support is in line with the purpose of the ASRF as it will enable the archive management work to continue without interruption. In this regard, the project falls within the following “purpose” criteria: - Rule 3, first bullet-point “ ... maintain financial flexibility.” - Rule 3, second bullet-point “ ... sustain operations through delays in payments of committed funding.” - Rule 3, third bullet-point “to pay for one-time non-recurring expenses that will build capacity, such as staff development” - Rule 3, fifth bullet point “to reduce the amount of member-countries’ contributions.”
5	Using the ASRF – consistency with purpose of the ASRF	Rule 11, (i)	Yes, as set out in Line 4.
6	Using the ASRF – analysis of reasons for the funds	Rule 11, (ii) (a)	Yes, as set out in Lines 1 and 3.
7	Using the ASRF – availability of other sources of funds	Rule 11, (ii) (b)	US\$10,000 was a cost estimated in early 2020. It comprised 100 hours of an external consultant (US\$5,000), a software system (US\$3,000), and miscellaneous costs of US\$2,000. To date, external costs have been US\$163. All other activity has been managed by the Bureau using internal resource and member-country resource.  In terms of Rule 11, (ii), therefore, this project will continue to use internal resource as much as possible. However, because the work is already producing unexpected issues to deal with, , it is too early to forecast a reduced financial requirement.
8	Using the ASRF – time for funds being required and then replenished	Rule 11, (ii) (c)	Use of funds may commence in 2021 depending on external resource requirements and readiness for a software system.  As far as replenishment is concerned, the ASRF is in surplus by more than US\$200,000. Replenishment will not be necessary.
9	Reporting and monitoring	Rule 15	The requirements have been noted and will be complied with.
10	If funds are declined - impact	N/A	The project would drift, and value already created would gradually be eroded. This is unnecessary. The project is demonstrating value to the business and to the individuals involved. It is also central to the Reform WG work on review of regulations – any slowing in the Archiving work could make it difficult for that work to meet its Congress 2022 deadline.
11	Additional comment	N/A	ASRF 01 is a good example of the Bureau making savings over many years through not spending on basic business needs. Providing certainty for any expenditure required is as much a case of repairing the past as it is shoring up the future.



#### 4.8 Milestone activity: APPU 60<sup>th</sup> Anniversary (2022)

Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Milestone activity	APPU 60 <sup>th</sup> Anniversary (2022)	ASRF 02	US\$10,000

Line	Discussion Point	Rule Reference	Comment
1	Activity description	N/A	<p>The 60<sup>th</sup> Anniversary of the founding of the APPU is in 2022 (the original Convention came into force on 1 April 1962, thus making 1 April 2022 the exact Anniversary date).</p> <p>The specific activities to mark the 60<sup>th</sup> Anniversary will be dealt with separately to this submission for financial support.</p> <p>In principle, it is considered reasonable to celebrate the 60<sup>th</sup> Anniversary, subject to extent and style being appropriate.</p>
2	Type and timing of approval requested	N/A	<p>The approval requested is “approval in principle”. Once details for the actual celebration have been developed by the Bureau, a consultation (by correspondence) will be made to get final approval for the expenditure.</p> <p>In terms of timing, the intention is to mark the event in conjunction with the 2022 APPU Congress in Thailand. This means that the July 2021 EC meeting is the most convenient forum for this matter to be raised with members.</p>
3	Classification of activity	N/A	This is milestone activity i.e., celebration of an event and an opportunity to showcase the Union. The expenditure would be strictly defined as discretionary
4	ASRF criteria - purpose	Rule 3	Availability of financial support is in line with the purpose of the ASRF in respect of the fifth bullet-point of Rule 3 i.e., “to reduce the amount of member-countries’ contributions.”
5	Using the ASRF – consistency with purpose of the ASRF	Rule 11, (i)	Yes, as set out in Line 4.
6	Using the ASRF – analysis of reasons for the funds	Rule 11, (ii) (a)	Yes, as set out in Lines 1 and 3.
7	Using the ASRF – availability of other sources of funds	Rule 11, (ii) (b)	There are no other sources of funds available, other than increasing the 2022 contribution unit by approx US\$140. Given that the ASRF has been built up over decades from member contributions, it is considered appropriate to use these funds as opposed to setting an additional levy to cover the costs.
8	Using the ASRF – time for funds being required and then replenished	Rule 11, (ii) (c)	<p>Use of funds may commence in 2021 depending on approval decisions (i.e., access to ASRF, and activity proposals)</p> <p>As far as replenishment is concerned, the ASRF is in surplus by more than US\$200,000. Replenishment will not be necessary.</p>
9	Reporting and monitoring	Rule 15	The requirements have been noted and will be complied with.
10	If funds are declined - impact	N/A	The 60 <sup>th</sup> Anniversary would be celebrated in a different (low-key) manner, using whatever budget could be spared from the 2022 finances. While the expenditure is strictly defined as discretionary, there are subjective considerations to take into account e.g., the “tough times” associated with Covid-19 and the need to use “events” as one way of recognising members and staff. Additionally, it would look out of place to host a Congress in Thailand and not take that opportunity to acknowledge the 60 <sup>th</sup> year of the Union.

#### 4.9 Business practice strengthening: Foreign exchange management (FEM)

Expenditure Area	ID Name	ID Code	Expenditure Ceiling
Business practice strengthening	Foreign exchange management	ASRF 03	US\$7,000

Line	Discussion Point	Rule Reference	Comment
1	Activity description	N/A	<p>The key background to this activity is in EC 2021 Doc 5.2 – foreign exchange management (FEM) in the Administrative Section. (There is also a link to FEM in the Training Section.)</p> <p>In the last 12 months a great deal of progress has been made in getting a better understanding of FEM and its impact on the Union's business. As a result, FEM practices have been strengthened and this will improve financial stability for foreign currency activity. It will also enable the Bureau to act with more control and report more knowledgeably regarding exchange rate variations.</p> <p>However, despite the significant progress that has been made, there are some areas where further work is required. For example, different currencies are used for audit reporting (the Training Section in Baht, the Administrative Section in USD). This appears to present issues for FEM, and expert advice may be needed to confirm this / identify a solution. Another example is the way in which exchange rate impacts are categorised / reported – it seems that gain / loss on exchange rates is a general heading that is used in auditing but is not necessarily appropriate in every situation.</p> <p>The aspects in the above paragraph need to be dealt with so that the Bureau can complete its work on improving FEM.</p>
2	Type of approval requested	N/A	Final approval, subject to the reporting and monitoring requirements referenced in Line 9.
3	Classification of activity	N/A	This is business practice strengthening in financial management.
4	ASRF criteria - purpose	Rule 3	<p>Availability of financial support is in line with the purpose of the ASRF as it will enable the FEM work to continue without interruption. Further, the use of the ASRF fits with the following parts of the purpose criteria:</p> <ul style="list-style-type: none"> <li>- Rule 3, third bullet-point “ ... one-time non-recurring expenses that will build capacity, such as staff development ... ”</li> <li>- Rule 3, fifth bullet point “to reduce the amount of member-countries contributions.”</li> </ul>
5	Using the ASRF – consistency with purpose of the ASRF	Rule 11, (i)	Yes, as set out in Line 4.
6	Using the ASRF – analysis of reasons for the funds	Rule 11, (ii) (a)	Yes, as set out in Lines 1 and 3.
7	Using the ASRF – availability of other sources of funds	Rule 11, (ii) (b)	There are no other sources of funds available, other than increasing the 2022 contribution unit by approx US\$90. The latter could delay the project and create an unnecessary burden on members.
8	Using the ASRF – time for funds being required and then replenished	Rule 11, (ii) (c)	<p>Use of funds may commence in 2021 depending on the need for external resource.</p> <p>As far as replenishment is concerned, the ASRF is in surplus by more than US\$200,000. Replenishment will not be necessary.</p>
9	Reporting and monitoring	Rule 15	The requirements have been noted and will be complied with.
10	If funds are declined - impact	N/A	Already the changes made to FEM in the Training Section have provided positive financial results. Any unnecessary delay in the completion of FEM for the Administrative Section could result in an

Line	Discussion Point	Rule Reference	Comment
			avoidable financial loss.
11	Additional comment	N/A	<p>The Bureau will try and resolve the remaining issues itself (mainly working with the Auditor). In the event that it is necessary to use external expertise (other than the Auditor) to resolve final issues, then a competitive bidding process will be set up for the work. The financial support of US\$7,000 has two components viz.,</p> <ul style="list-style-type: none"> <li>- external expertise; and</li> <li>- possible purchase of upgraded or new software to enable enhanced management reporting on FEM and other outputs of the accounting system.</li> </ul> <p>The competitive bidding process will apply to the external expertise component.</p> <p>The Bureau is satisfied that the funds requested will be sufficient for the work required. This view is based on current knowledge of what the remaining FEM issues are.</p>

## **Appendix 1**

# **Operational rules for the management and replenishment of the Administrative Section Reserve Fund (ASRF)**

## **Operational rules for the management and replenishment of the Administrative Section Reserve Fund (ASRF)**

### **Introduction**

1. The minimum financial level and rules for the management and replenishment of the ASRF are drawn up pursuant to Article 117, § 7 of the APPU General Regulations.

### **Minimum financial level of the ASRF**

2. The minimum financial level for the ASRF is currently fixed at US\$80,000 (as decided by correspondence on 1 December 2019).

### **Purpose of the ASRF**

3. The purpose of the ASRF is to help ensure the long-term ability of the Administrative Section to fulfil its objectives. The Administrative Section will maintain the Reserve Fund to achieve the following:
  - to create an internal line of credit to manage cash flow and maintain financial flexibility
  - to enable the Section to sustain operations through delays in payments of committed funding
  - to pay for one-time, non-recurring expenses that will build capacity, such as staff development or research and development
  - to balance the Administrative Section budget
  - to reduce the amount of member-countries' contributions
4. In principle, the ASRF is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

### **Setting, reviewing and replenishing the level of the ASRF**

5. The financial level at which a Reserve Fund is set is based around risk and represents a financial amount sufficient to maintain ongoing operations and programmes for a set period of time, measured in months. The calculation of average monthly operating expenses includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, programmes, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.
6. The minimum amount of a Reserve Fund is calculated each year as part of the annual budgeting process. Where the ASRF has reduced below the fixed minimum level (as set out in Financial Regulation 2 above), it is replenished, normally annually, to maintain the fixed minimum level through:
  - (i) surplus unrestricted operating funds; and/or
  - (ii) an expense included in the Administrative Section's annual budget.

7. The ASRF is to be funded and available in cash or cash equivalent funds, in accordance with the risk preferences, liquidity needs and investment objectives of the Administrative Section.
8. Funds held in the ASRF may be comingled with the general cash accounts of the Administrative Section or the APPU, but must be segregated in financial reporting.
9. If the ASRF is, and has been, less than 25% of the target reserve minimum for two consecutive years, the Administrative Section should adopt an operational budget with a projected surplus sufficient to rebuild the ASRF to its fixed minimum level (as set out in Financial Regulation 2 above), over a prescribed number of years.
10. The ASRF should be listed separately in the unrestricted net assets section of the Bureau's statement of financial position as "Administrative Section-Designated Reserve" and the status of borrowings from the reserve should be reported in financial reports to the Board.

#### **Using the ASRF**

11. The general framework for using the ASRF is set out below.
  - (i) The Bureau identifies reasons for accessing the ASRF and confirms that the use is consistent with the purpose of the reserves as agreed in the organisation's Reserve Fund policy, or as may be agreed from time to time to meet special circumstances.
  - (ii) As a part of the process set out in (i) above, the Secretary General or his/her nominee will do the following:
    - (a) analyse the reason for the needed funds;
    - (b) assess the availability of any other sources of funds before using reserves (e.g., line of credit); and
    - (c) evaluate the time period that the funds will be required, and then replenished.
12. The EC, either directly or by delegation to the Secretary General authorises the use of the ASRF and monitors reserves.
13. The Secretary General will submit a request to the EC in writing, which will include the analysis and determination of the use funds and plans for replenishment, when required. The EC will approve in writing or modify the request and authorise transfer from the fund. Email is an acceptable form of notification and acknowledgment.
14. Any funds borrowed from the Reserve Fund for longer than twelve months and which need to be paid back, will be the subject of a prescribed repayment schedule. The Secretary General shall request approval of any such usage and the proposed repayment schedule from the EC. If approved, such disbursement shall be reported at the next EC meeting. At any time that a borrowing from the Reserve Fund is outstanding, the status of the borrowing and

payments made will be reviewed at Council meetings.

#### **Reporting and monitoring the use of funds**

15. The Secretary General is responsible for ensuring that the ASRF is maintained and used only as described in these Financial Regulations. When use of the ASRF is approved, the Secretary General and Administrative Section staff will maintain records of the use of funds and plan for replenishment. The Administrative Section will provide regular reports to the EC Board of progress to restore the fund to the fixed minimum amount.

#### **Maintaining the integrity of the ASRF**

16. All funds in the ASRF (i.e., the funds that represent the fixed minimum level as well as funds in excess of the fixed minimum level) are subject to the rules for the ASRF as set out in the Financial Regulations of the Bureau of the Asian-Pacific Postal Union.
17. The rules for the operation of the ASRF Reserve Fund should be reviewed regularly, with two-yearly being a recommended timeframe.

## Finances of the Union

### APPU Bureau: Review of Allocation of Staff Costs

(Document prepared by APPU Bureau)

<b>1. Subject</b>  Informing the EC, via the Finance Committee, on: <ul style="list-style-type: none"> <li>- the current system for allocating Bureau staff costs, including financial information</li> <li>- the intention to review the allocation system to confirm it is being applied appropriately</li> </ul>	References/paragraphs  §§ 1 – 2 §§ 3.2 – 3.3
<b>2. Decisions expected</b>  The EC, via the Finance Committee, is asked to: <ul style="list-style-type: none"> <li>- <b>note</b> the current allocation of costs between the three budget areas in the Bureau</li> <li>- <b>note</b> that neither the accuracy of the current allocations nor how they were established can be verified from documentation that has been reviewed</li> <li>- <b>note</b> the activity mix, including the parties who benefit from Bureau activity, has almost certainly changed since the current allocations were calculated</li> <li>- <b>note</b> that the Bureau will initiate a review of the current allocations using in-house resources in the first place</li> <li>- <b>note</b> that the Bureau will report to the membership on this matter no later than the 2022 Congress</li> </ul>	§§ 1.1 – 1.2 §§ 2.2 – 2.3 §§ 3.1 – 3.2 § 3.3 § 4.4

## 1. Background

- 1.1 The Bureau employs staff whose salaries are met from different funding sources. Table 1 sets out the position.

**Table 1: Budget Sources for Salary Funding (2020)**

Position	Administrative Section Budget	Training Section Budget	Special Activities Fund
Secretary General	50%	50%	
Lecturer 1		100%	
Lecturer 2		100%	
Manager RTCAP			100%
Manager, Administration and APPU Affairs	30%	70%	
Senior Administrative Officer	20%	80%	
Secretary	20%	80%	
System Support Officer	20%	80%	
Administrative Support Officer	15%	85%	
Office Assistant	15%	85%	
Driver 1	10%	90%	
Driver 2	10%	90%	



- 1.2 To complete the picture, the salary expenditure in 2020 is in Table 2 below.

**Table 2: Salary Expenditure by Budget Source (2020)**

<b>Administrative Section Budget</b>	<b>Training Section Budget</b>	<b>Special Activities Fund</b>	<b>Total</b>
165,284	479,684	71,200	<b>716,168</b>
23%	67%	10%	<b>100%</b>

## **2. Accuracy of allocation model**

- 2.1 It is important to be as accurate as possible with the percentage allocation of personnel costs between the three budget areas. Apart from being basic good business practice, the implication for the parties who fund each of the three budgets is that they are paying for a fair share of costs (i.e., not subsidising another business area, or being subsidised themselves).
- 2.2 It is not known when the current allocation percentages were established for the Administrative and Training Sections (the Special Activities Fund was introduced as a Bureau expenditure area in 2020).
- 2.3 Further, it is not known how the percentage allocations were originally calculated. It is assumed that an activity-based costing approach was followed.
- 2.4 Paragraphs 2.2 and 2.3 are sufficient reason to make a review of the current allocations, particularly between the Administrative and Training Sections.

## **3. Developments over time**

- 3.1 In business it is inevitable that, over time, personnel deployment and general business arrangements change. Assumptions for allocating costs need to be reviewed to reflect such changes.
- 3.2 In the case of the Bureau, it is possible that activities undertaken 15-20 years ago (i.e., when the Central Office and the Training College merged) have changed e.g., what might have been core training activities administered by the Training Section have now moved to a mix of core training activities, general briefings on new developments, cooperative exchanges, etc. In conjunction with any such adjustment to the activity mix, it is also possible that the benefactors (i.e., the parties who benefit from activity administered by the Training Section) have changed e.g., when activity was 100% training as originally established in the 1970s the benefactors were individuals and their parent company; an adjustment to the activity mix could see the benefactors changing to include regional networks (all APPU members) and global networks (all UPU members).
- 3.3 Against the possible changing situation described in paragraph 3.2, a review of overall activity within the Bureau will identify who is benefiting from Bureau activities and which budget area should meet the costs. In terms of resource to undertake the assignment, this is a staff development opportunity whereby in-house resource will be used in the first place.

**4. Conclusion**

- 4.1 The allocation of personnel costs, particularly between the Administrative and Training Sections, does not appear to have been reviewed for many years.
- 4.2 It is known that not all activity undertaken in the College is training activity. However, there is no information on how non-training activity has been identified and measured. Further, it is possible that the amount of non-core training undertaken in the College has increased over time.
- 4.3 In order to ensure cost allocations fairly represent activity undertaken, there should be a review of the allocation policy (i.e., how we decide who should bear costs) and the proportions in which costs should be assigned within the Bureau.
- 4.4 A report on the outcome of the assignment will be tabled to members no later than the 2022 APPU Congress.