**Financial Management Manual**

QSF – Quality of Service Fund

Berne 2018

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**Preamble**

The Beijing Congress approved the terminal dues system comprising the Quality of Service Fund (QSF). The continuation of this mechanism has been confirmed in subsequent Congress resolutions. The Istanbul Congress approved the creation of a QSF Common Fund, which provides a funding platform for projects which have global impacts.

Projects to be financed by the QSF shall be carried out in any UPU member country (including its territories) benefiting from QSF funds, as per the country classification outlined in the Universal Postal Convention and relevant Congress resolution (hereinafter referred to as “Beneficiary Country”).

The Board of Trustees (hereinafter collectively and individually referred to as “Board”), as defined in chapter II of the Rules of Procedure, shall be responsible for the management of the QSF. The rules, terms and condi­tions for the management of the QSF by the Board are set out in the following documents:

– the Rules of Procedure of the Quality of Service Fund (2018) (hereinafter “RoP”);

– the Project Management Manual (hereinafter “PMM”);

– the Financial Management Manual (hereinafter “FMM”).

The RoP set out the legal framework of the QSF stipulating the rights and obligations of all parties involved. The PMM describes the relevant project man­agement procedures associated with the QSF, while the FMM describes the billing and payment procedures, fund management and accounting procedures, as well as gen­eral financial guidelines related to QSF projects.

### **Chapter I – General provisions**

Article 1

### General provisions

1 The FMM shall apply to all QSF financial activities and shall be subordinated to the UPU Financial Regulations.

2 The day-to-day financial management of the QSF is the responsibility of the International Bureau, which acts as the Fund Manager (hereinafter “the Fund Manager”). The duties of the Fund Manager are specified in article 5 of this Manual.

Article 2

Applicability of the FMM

1 This FMM shall govern the financial management of the QSF. It has been prepared in accordance with the RoP and the UPU Financial Regulations. In case of conflict, the UPU Financial Regulations shall prevail over the RoP and the FMM with regard to financial, budgetary and accounting rules. The RoP shall prevail over the FMM.

Article 3

Maintenance of the QSF

1 The QSF shall be maintained by mandatory contributions, by voluntary contributions, by income from investments, by interest on overdue mandatory payments or by other sources of revenue.

2 The amounts payable for the purposes of the QSF shall be in accor­dance with the rates and provisions set out in the Universal Postal Convention (hereinafter “the Convention”).

Article 4

Currency of accounting

1 The currency of accounting shall be USD. All accounts, including accounts receivable, beneficiary country and project accounts shall be denominated in this currency. Transactions denominated in other cur­rencies shall be entered into the accounts in USD at the rate applied by the United Nations on the invoicing or transaction date.

2 Investment currency: The overall funds held by the QSF shall be denominated in USD. These funds may, however, be placed in investments denominated in other currencies by the Investment Manager, in accordance with the QSF investment principles and strategies.

Article 5

Responsibilities of the Fund Manager

1 The Fund Manager shall be responsible for the following functions related to the financial management of the QSF: billing, accounting, treasury operations, monitoring of project expenses, monitoring on an ongoing basis, and reporting on the financial status of the QSF.

2 An investment manager (hereinafter “the Investment Manager”) may be engaged pursuant to the rel­evant UPU procurement rules, in which case it shall be responsible for providing the Board with the estimated minimum rate of return on the investment required for the following year. The Investment Manager shall develop and submit to the Board its investment strategy document, which shall be expected to detail an investment strategy that is consistent with the principles contained in article 15.

Article 6

Financial year

1 The financial period shall be one year. It shall run from 1 January to 31 December of the year con­cerned.

### **Chapter II – Billing and payment procedures**

Article 7

Billing for regular contributions

1 The amount of the mandatory QSF contributions to be billed from UPU member countries shall be determined in accordance with the relevant articles of the Convention and its Regulations.

2 The basic document for billing is form CN 64bis.

3 The CN 64bis is prepared on the basis of form CN 61 or CN 64. Information regarding form CN 61 or CN 64 is obtained as follows:

3.1 Firstly, a prospective Beneficiary Country shall complete form CN 61 for terminal dues; this form shall be transmitted as quickly as possible to the contributing country but at the latest 10 months after the end of the year in question (year n).

3.2 The contributing country shall have a maximum of two months from reception date to accept, amend or dispute the CN 61 form. The form shall be considered as fully accepted if the contributing country has not raised any objection within two months. Once the form has been accepted or considered as fully accepted, the Beneficiary Country shall input the data into the QSF billing database and attach as supporting documentation the CN 61, or else may send it to the Fund Manager by mail.

3.3 The Beneficiary Country shall then prepare a separate statement (CN 64 form) for terminal dues. The CN 64 form shall be sent to the contributing country as soon as possible. The contributing country shall have one month from the date of dispatch to accept, amend or dispute the CN 64 form. The form shall be considered as fully accepted if the Beneficiary Country has not received any objection from the contributing country within one month of the date of dispatch.

3.4 The Fund Manager shall not accept CN 61 and CN 64 statements that it receives later than 30 April of year n+3.

3.5 In the event of failure to comply with the deadline for transmitting CN 61 and CN 64 statements, a Beneficiary Country shall forfeit the right to QSF funds with the contributing country concerned for the year in question.

3.6 On receipt of the CN 61/64 statements, the Fund Manager shall calculate the corresponding contribu­tions in accordance with the articles of the UPU Convention, issue the CN 64bis form and make it available in the database to the contributing country.

3.7 The bills shall be made out in USD by converting the SDR amounts in the CN 64bis form at the official exchange rate of the billing date (official IMF exchange rate). The original amount in SDR shall also be indicated on the bill. The bills will be accessible to the contributing country in the QSF billing data­base.

3.8 The bills shall be paid no later than six weeks after their date of issue.

4 As set out in the Convention, the International Bureau will check whether the cumulated billed amounts for each beneficiary reaches the minimum of 20,000 SDR for the period 2018–2021. Additional billing to the contributing country will take place based on the proportion of volumes sent to the beneficiary country. This additional billing shall be implemented provided that the beneficiary country concerned has had exchanges with at least one contributing country from group I, II or III.

5 The invoice for the additional amount indicated in paragraph 4 shall be accompanied by a CN 64ter statement, containing the following information:

5.1 the names of the Beneficiary Countries to which the data relates;

5.2 the reference year;

5.3 the additional amount (in SDR) needed to reach the minimum amount of 20,000 SDR specified in the Convention for the period 2018–2021;

5.4 the share of this additional amount (expressed as a percentage) owed by the contributing country concerned, in proportion to the mail volumes exchanged;

5.5 the amount to be paid by the contributing country concerned.

6 Bills shall be paid no later than six weeks after their date of issue.

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### Article 8

### Billing for the Common Fund

### 1 The amount of the mandatory contributions to be billed from UPU member countries shall be deter­mined in accordance with the related articles of the Convention and its Regulations.

### 2 The Common Fund is based on the exchanges between debtor UPU member countries classified in groups I, II and III and creditor UPU member countries classified in group III. The creditor UPU member country shall be responsible for providing the Fund Manager with CN 61 or CN 64 information as detailed in article 7, paragraphs 3.1 to 3.5.

### 3 Billing shall be in two phases: provisional and final.

### 3.1 Provisional billing

### 3.1.1 The basic document for the provisional billing is called Common Fund one (CFOne).

### 3.1.2 Provisional billing shall take place once a year in September. For the reference year 2018, it shall be based on the figures for the year 2015. For subsequent years, it shall be based on the figures for the latest reference year available. The contribution will represent 1% of the terminal dues in SDR applied to all mail flows from group I, II and III countries to group III countries.

### 3.1.3 For the provisional billing, the financial document will detail:

3.1.3.1 the country’s name;

3.1.3.2 the designated operator’s code (if applicable);

3.1.3.3 the contribution year;

3.1.3.4 the reference year;

3.1.3.5 the exchanges with the creditor UPU member country and the related SDR amounts;

3.1.3.6 the contribution rate;

3.1.3.7 the contribution amount due in SDR.

### 3.2 Final billing

### 3.2.1 The basic document for final billing is called Common Fund two (CFTwo).

### 3.2.2 Final billing shall take place once a year in September. It shall be based on the final figures for the related year. The Fund Manager shall calculate the balance between the required contribution and the provisional billing.

### 3.2.3 For the final billing, the financial document will detail:

3.2.3.1 the country’s name;

3.2.3.2 the designated operator’s code (if applicable);

3.2.3.3 the contribution year;

3.2.3.4 the reference year;

3.2.3.5 the amount already invoiced as per CFOne in SDR;

3.2.3.6 the amount invoiced as per CFTwo in SDR;

3.2.3.7 balance due in SDR.

### 3.3 Bills shall be settled no later than six weeks after their date of issue.

### Article 9

Payment of contributions

1 The amount of the bills settled shall be paid into one of the QSF bank accounts.

2 Contributions paid in other currencies shall be converted into the currency of account at the UN exchange rate of exchange on the transaction date.

3 Any bank charges and exchange commissions levied upon receipt of contributions shall be paid by the QSF.

### Article 10

Penalties for overdue payments

1 The amount of the bills not received by the Fund Manager within six weeks of their dispatch shall be chargeable with interest at the rate defined in article 146.2 of the UPU General Regulations reckoned from the day following the day of expiry of the said period. Interest on overdue payments of under 50 USD shall not be billed. In principle, interest on overdue payments shall be billed separately.

Article 11

Clearing of bills not paid using assets

1 UPU member countries that have not paid their outstanding bills within a period of six weeks shall have the sums owed deducted automatically from their QSF assets.

Article 12

Negative capital

1 In the event that a Beneficiary Country has a negative balance in its account it is said to have “negative capital”. This means that this Beneficiary Country is liable for certain amounts which must be paid back to the QSF. The Board, in consultation with the Fund Manager, shall take measures on a case-by-case basis to find the best solution to rectify such a situation.

Article 13

Reimbursement of overpayment in respect of project advance

1 In the event that a Beneficiary Country has received an advance payment higher than the actual expenses, the Beneficiary Country shall pay back the difference within six weeks of the project’s closure; otherwise the relevant sums shall be deducted automatically from its QSF assets. On a case-by-case basis, an arrangement may be defined, such as deducting the amount due from the advance for a new project advance if there are no QSF assets available. The recommendation shall be presented to the Board.

### **Chapter III – Fund management**

### Article 14

Investments

1 The Board shall be responsible for investments by the QSF.

2 The Board may invite external specialists to attend its meetings for certain agenda items.

3 In accordance with the UPU Financial Regulations, the Boardmay recommend to the Fund Manager that QSF investment tasks be delegated to an external entity selected in accordance with the relevant UPU procurement rules. The selected entity would act as the QSF Investment Manager.

4 Without prejudice to the UPU Financial Regulations, the Board shall evaluate the tactical allocation of investments on a quarterly basis, in the light of the economic and financial scenario prepared by the Investment Manager and according to the strategic allocation defined by the Board. This shall take the form of a pattern of investments, valid for the following period, which shall define the working ranges by currency and investment type.

5 The Board shall, in particular:

5.1 Foster a wide distribution of investments in order to ensure the most appropriate yield whilst safe­guarding the security of the funds in the QSF;

5.2 Monitor the portfolio of securities;

5.3 Provide the Investment Manager with guidance if necessary;

5.4 Prepare recommendations to develop an updated investment strategy for the QSF, if necessary.

6 Scrutiny: at each meeting, the Board shall examine the management report, the summary of transac­tions and the analysis of performance presented by the Fund Manager or the QSF Investment Manager.

### Article 15

### Investment principles and strategies

1 QSF investment policy shall be based on the security and liquidity of funds and normal efficacy in investment strategies.

2 In recommending investments, the Board shall adhere to the following principles:

2.1 The investment should aim to produce a level of return greater than QSF operating expenses;

2.2 Consistency in level of return and security of investments, rather than sporadic but potentially risky gains, shall be sought;

2.3 The portfolio of assets must maintain a level of liquidity necessary to carry out and pay for QSF projects;

2.4 In principle, investments shall be denominated only in USD, EUR or CHF.

3 The Investment Manager shall be required to provide the Board with a proposed investment strategy for the year ahead.

4 This strategy document shall be based on a minimum rate of return. The minimum percentage rate on the investment will be advised to the Investment Manager by the Fund Manager once approved by the Board. The investment strategy submitted shall detail the proposed strategy for achieving the projected rate of return against the specified minimum rate of return required to fund the QSF operations for the coming year.

5 The strategy document shall be used by the Board as a key performance indicator of the QSF Investment Manager and the Fund Manager.

6 The Board shall not recommend that the following investments be pursued:

6.1 Derivative financial instruments;

6.2 Shorting of securities;

6.3 Hedging currencies with the aim of making a profit.

Article 16

QSF assets

1 The Beneficiary Country shall ensure that the QSF budget requested for its project does not exceed a certain percentage of its available QSF assets. This reserve shall enable account to be taken of any withdraw­als made on QSF assets, relating to the QSF administrative costs. This reserve amounts to 8% of the available assets.

### Article 17

Funds allocated to preparatory work for Common Fund projects

1 A reserve shall be allocated to the preparatory work of the International Bureau for Common Fund projects.

2 The reserve shall amount to no more than 12% of the available funds. The Board shall be responsible for ensuring the sufficiency of the reserve for its purpose and may reduce the reserve amount at any time. Funds freed up as a result shall be returned to Common Fund capital for the implementation of projects.

3 The use of the reserve for the preparatory work of the International Bureau shall be subject to the conditions set out in article 17 of the Rules of Procedure and article 18 of the PMM. Monitoring of expenses (article 18, below) shall apply by analogy.

Article 18

Monitoring of project expenses

1 The purchase of equipment, supplies and other articles (including the recruitment of consultants) shall be carried out in accordance with the procedures set out in the PMM.

2 The QSF coordinators shall be authorized to incur expense commitments, within the limits of the cred­its entered in the budget of projects.

3 It shall be prohibited to split purchases of the same nature in order to avoid an open tender.

4 Only project expenses duly approved by the Board shall be charged to the QSF.

5 All project expenses shall require the authorization of the QSF Project Manager.

6 The disbursements relating to these expenses shall be charged to the budget items of the correspond­ing projects.

7 Total expenses for each project shall not exceed the resources assigned to it.

8 All disbursements must be supported by documentary evidence duly signed by the authorized persons and no disbursement shall be made if the credit is not available.

9 Disbursements shall be made by direct settlement of bills by the International Bureau, or by direct payment to the beneficiary country, as per the payment request form duly completed (see Annex 7 to the PMM).

10 All projects shall be the subject of a detailed financial audit. Only approved, financially audited projects shall be submitted to the Board for request of final payment.

11 All original invoices shall be sent to the QSF Secretariat in a timely manner once received by the beneficiary country, and at the latest with the final report.

12 All financial and accounting documents relating to projects shall be retained for a minimum of 10 years from the end of the year in which the project's final report was approved by the Board.

Article 19

### Trust management costs

1 Management costs shall comprise:

1.1 all costs or expenses incurred by the Board in managing and administering the affairs of the QSF, whether collectively or individually, other than the Board's own travel costs or management or adminis­trative fees;

1.2 the International Bureau's administration charges arising from its management of the QSF. These do not include costs and expenses arising from monitoring and evaluation of projects funded by the QSF (within the limits of the project revaluation reserve), other than the costs and expenses provided for in the project budgets;

1.3 costs, expenses and losses arising from monitoring and management of QSF funds;

1.4 audit costs;

1.5 support costs;

1.6 bank fees.

2 All the above costs shall be supported from interest on investments or any other gain or revenue (including interest on overdue payments) from individual beneficiaries' QSF funds and the Common Fund.

3 If gains exceed costs (including net exchange results) at the end of the financial year, the difference shall be distributed to the individual beneficiaries' QSF funds and to the Common Fund, in proportion to the available capital.

4 If costs exceed financial gains at the end of the financial year, this deficit shall be deducted from the capital of the individual beneficiaries' QSF funds and from the Common Fund, in proportion to the available capital.

**Chapter IV – Confidentiality**

Article 20

### Confidentiality

1 Information on billing of contributions and payment thereof shall be strictly confidential.

2 Information on a given billing or payment of a contribution shall be furnished only to the contributing countries and Beneficiary Countries involved in this billing.

3 The information referred to in paragraphs 1 and 2 shall be communicated only to the persons officially designated by the countries for QSF purposes.

4 Information considered confidential shall not be communicated to third parties except as required by the Board.

5 The information referred to in paragraphs 1 and 2 shall preferably be transmitted by electronic mail or by post.

### **Chapter V – Reports**

Article 21

### Reports

1 The Fund Manager shall present a quarterly financial report of the QSF at each meeting of the Board. These reports shall include all general financial information, as well financial information on projects.

2 Each participating Beneficiary Country shall be provided with a quarterly financial statement of its QSF account.

3 Financial information relating to the Common Fund shall be provided to the Board and the International Bureau on a quarterly basis.

### **Chapter VI – Audit**

Article 22

### External audit of the QSF accounts

1 The external audit shall be conducted in accordance with the provisions of chapter VII of the UPU Financial Regulations and Annex 1 thereto (Additional terms of reference governing external audit).

### **Chapter VII – Final provisions**

Article 23

### Effective date of the Financial Management Manual

1 This FMM (and any amendments thereto) shall come into force upon its formal approval by the POC.