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Financial Management Manual

Quality of Service Fund

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Preamble

The Beijing Congress approved the terminal dues system comprising the Quality of Service Fund (hereinafter "QSF"). The continuation of this mechanism has been confirmed in subsequent Congress resolutions. The Istanbul Congress approved the creation of a QSF Common Fund (hereinafter "CF"), which provides a funding platform for projects which have global impact; subsequently, the Abidjan Congress approved the creation, within the CF, of a special account for improving quality of service in the least developed countries (hereinafter "LDCs").

Projects to be financed by the QSF shall be carried out in any UPU member country benefiting from QSF funds, as per the country classification outlined in the Universal Postal Convention (hereinafter "Convention") and relevant Congress resolution (hereinafter "Beneficiary Country"). For the purposes of this document, "Contributing Country" shall be defined as any UPU member country that contributes to the QSF (including its designated operators as potential contributing entities), also as per the country classification outlined in the Convention and relevant Congress resolution.

The Board of Trustees (hereinafter "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 (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 Secretariat as well as the Fund Manager (hereinafter "Fund Manager"). The duties of the Fund Manager are specified in article 5 of this FMM.

Article 2

Applicability of the Financial Management Manual

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 Quality of Service Fund

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 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 (as further defined in article 5 hereunder), 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

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. Information regarding form CN 61 is obtained as follows:

3.1 Firstly, a prospective Beneficiary Country or a Contributing Country shall complete form CN 61 for terminal dues; this form shall be transmitted as quickly as possible to the counterpart but at the latest 10 months after the end of the year in question (year n). A paper form may be sent to the counterpart, or the CN may be submitted through the QSF billing system.

3.2 The counterpart shall have a maximum of two months from reception date to accept, amend or dispute the CN 61 form, either by a written correction or through the QSF billing system. The form shall be considered as fully accepted if the counterpart has not raised any objection within two months. Once the form has been accepted or considered as fully accepted, the member country shall send the form to the Fund Manager or enter it in the QSF billing system¹ for the next invoicing.

3.3 The Fund Manager shall accept only CN 61 statements signed by both sides and sent no later than 30 April of year n+3 (date of receipt). The same acceptance process shall apply where statements are submitted through the QSF billing system.

¹ The relevant QSF billing system referred to in this paragraph is the UPU-provided platform known as “QSF Finance”.

- 3.4 In the event of failure to comply with the deadline for transmitting CN 61 statements, a Beneficiary Country shall forfeit the right to QSF funds with the Contributing Country concerned for the year in question.
- 3.5 On receipt of the CN 61 statements, the Fund Manager shall calculate the corresponding contributions in accordance with the articles of the Convention, issue the CN 64bis form and make it available in the database to the Contributing Country.
- 3.6 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 shall be accessible to the Contributing Country in the QSF billing database.
- 3.7 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 shall check whether the cumulated billed amounts for each beneficiary reaches the minimum of 20,000 SDR. Additional billing to the Contributing Country shall 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;
- 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.

Article 8

Billing for the Common Fund and the least developed countries special account

- 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 (currently 1% for Common Fund and 0.5% for LDC special account).
- 2 The Common Fund and the LDC special account are 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 information as detailed in article 7, paragraphs 3.1 to 3.8.
- 3 Billing
- 3.1 The basic document for billing is called Common Fund (CF).
- 3.2 The billing shall take place once a year. It shall be based on the final figures for the related year.
- 3.3 For the billing, the financial document shall detail:
- 3.3.1 the member country's name;
- 3.3.2 the designated operator's code (as applicable);
- 3.3.3 the contribution year;
- 3.3.4 the reference year;

3.3.5 the amount invoiced in SDR;

3.3.6 the balance due in SDR.

3.4 Amounts below 25 USD shall not be invoiced.

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

4 From 2021 to 2023, in order to regularize the provisional billing already sent (reference year 2018 to 2021), the QSF billing system shall send the final billing made on the final date of the year concerned, a credit note cancelling the provisional billing, and a letter summarizing the amount due or to be refunded to the member country.

5 The Contributing Country shall have a period of one month from receipt of the CF billing to accept or amend it. The form shall be considered as fully accepted if the Contributing Country has not raised any objection within this period.

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

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 may settle an invoice by deducting the amount from their available QSF assets as long as the amount is less than 500 USD.

2 UPU member countries that have not paid their outstanding bills, up to an invoice limit of 500 USD, within a period of six weeks shall have the sums owed deducted automatically from their QSF assets.

3 If a UPU member country has not paid one or more invoices due within three months, this case shall be reported to the Board, which shall have the option of imposing sanctions, such as blocking a project until the amount has been paid.

Article 12

Negative capital

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**

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. The Beneficiary Country may also request that the overpaid advance amount be deducted from the first advance payment of a new project proposal, provided that the new proposal has been submitted and approved by the Board within six months of the initial project's closure. In case of non-respect of the above rules, interests on overdue payment as per UPU regulations shall be applied and charged separately.

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 Board may 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 shall 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.

2 If, after funds have been used for projects, the assets are insufficient for a new project, the balance shall be reimbursed to the Beneficiary Country. If the available assets of a Beneficiary Country in group I.2, II or III are below 3,000 USD after completion of all ongoing projects, the amount may be reimbursed to that Beneficiary Country on submission of a formal request through the International Bureau, subject to the approval of the Board on a case-by-case basis. The Board shall have the discretion to decide whether to approve the direct reimbursement of the balance to the Beneficiary Country or to allocate the amount for payment of existing or future invoices by the Beneficiary Country to the International Bureau.

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 through direct payment (advances and final balance) by the UPU to the Beneficiary Country, using the banking details provided in circulars. Bills may also be settled, by delegation, directly to the United Nations Development Programme (UNDP) or to another third party, provided that the banking details have been certified, in writing, by the Beneficiary Country concerned. In cases where payment is to be made to third parties, such requests should be validated in writing by the duly authorized representative(s) of the Beneficiary Country concerned (only signed hard copies are acceptable in such cases) – 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, the Common Fund and the LDC special account.
- 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, to the Common Fund and to the LDC special account, 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.
- 5 If gains exceed costs, they shall be shared out among the beneficiaries, with the exception of countries that have debts, negative capital or interests due.

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 Quality of Service Fund accounts

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

This FMM (and any amendments thereto) shall come into force upon its formal approval by the Postal Operations Council, without prejudice to further approval of the Council of Administration within the framework of its competence.