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## IMPROVEMENTS MADE BY THE ASIA-EUROPE FOUNDATION IN FINANCIAL AND ORGANISATIONAL MANAGEMENT

- 1 Since 2005, ASEF has been facing serious financial difficulties. The following outline report aims to provide ASEM SOM officials with an overview of the steps taken by ASEF to improve its (a) organisational management and (b) financial management. These enhancements have been aimed not only at tightening financial controls, but also rationalising organisational structure and use of manpower, with a view to enhancing alignment of ASEF programme activities with ASEM priorities. These actions have led to positive results in what will be a continuous process of optimising ASEF operations within prevailing budgetary constraints.

### **Organisational Management**

- 2 Ernst & Young were commissioned in mid-2005 to conduct a Human Resources and Organisational Structure Audit, the findings and recommendations of which have been approved by the ASEF Board of Governors:
  - The report confirmed that ASEF is paying below-market rate for its qualified professional staff.
  - The review of organisational structure confirmed that ASEF is understaffed for Administration and Public Affairs support.
  - The Ernst & Young report also highlighted weaknesses in Human Resources and General Administration practices, which are being rectified with the planned hire of a qualified HR practitioner cum Administrator.
  - The report also provided more explicit job descriptions to clearly define roles, responsibilities and lines of reporting, so as to ensure that job-holders are properly qualified, and to rationalise the deployment of manpower within the organization.
- 3 In order to maintain relevance to the ASEM process, the Programme Directors regularly come together to review how ASEF can better serve its mandate, identify areas where inefficiencies can be eliminated and better integration and coordination of projects across departments can be achieved:
  - Examples of closer alignment to the ASEM process include ASEF support projects for ASEM meetings, such as workshops done in conjunction with the Conference on Cultures and Civilisations (ASEM Culture Ministers Meeting), seminars for journalists in conjunction with ASEM Summits and Ministerial Meetings, and civil society debates, experts' workshops and journalists' colloquies in conjunction with events like the ASEM Interfaith Dialogue and Asia-Europe Environment Forum. In addition, early Public Affairs support has been integrated into the project planning process by the programme departments to achieve better visibility.
- 4 Further actions are elaborated in the ASEF Action Plan (2006-2008). In addition, ASEF has instituted an annual corporate planning exercise wherein the entire ASEF management team reviews and maps out all project proposals for the coming year and selects those that meet project policy criteria for relevance, feasibility, timeliness

and geographic balance, and which fulfill ASEF's given mandate. These will be prioritised, and those which cannot fit into the expected budget (see last bullet point of para 6 below) will not be implemented.

- 5 Starting in 2005, monthly ASEF Management reports have been sent to both ASEF Governors and SOM officials to keep them abreast of the latest developments and activities in ASEF. Since the November 2005 ASEM SOM in London, more regular contact and communication between ASEF management and SOM officials has been institutionalised through the decision to invite the ASEF Executive Director to attend all ASEM SOMs, and to invite the Chairman of the ASEF Board of Governors to do so once a year. Together, these steps will further strengthen mutual understanding, complementarity and like-mindedness of purpose between ASEM and ASEF.

### **Financial Management**

- 6 In February 2005, the Executive Office launched an emergency audit in response to inconsistencies that were found in ASEF's financial housekeeping. The Executive Office took immediate action to remedy the shortcomings and weaknesses revealed. The Director of Finance was replaced, and new disciplines were introduced under the then still-new administration. The measures to improve financial housekeeping and ensure that the deficiencies of the past will not recur are listed below. Almost all of these have been in motion for the better part of one year already:

- Strengthening internal controls on financial matters:
- Regular financial reports are made to the Executive Director and Program Directors for budget tracking of:
  - Monthly cash flow, overall and individual department expenditures.
  - Monthly forecasts for the next three months' receipts and expenditures.
  - Project costings, which are brought up quarterly for individual project managers' review. Regular reconciliation is also made between the estimated and actual project costings.
- Controls on Project and Other Costs:
  - Updated or revised project costings are approved by the Executive Office before major funding is committed (this is to address any changes during the time lag between approval of projects by the Board of Governors and project implementation).
  - Project expenditures are reviewed regularly by both the respective Program Director and Director of Finance and Administration.
  - There are stringent guidelines on expenditures within projects, e.g., the policy on travel is frugal, with reimbursements capped at economical levels.
  - Project Managers make diligent efforts in both cost-control as well as seeking out alternative funding in order to maximise project results with ASEF's limited funding. The proportion of funds raised from public and/or private sponsors for ASEF projects is already approximately of 40% of the total costs of the projects.
  - Wherever possible, reductions have been made in production costs for publications, e.g., changing the frequency of the ASEM newsletter from quarterly to trimestrally has cut design and mailing costs per issue; merging the functions of separate publications from two into one has resulted in an annual report that also serves as a corporate brochure.

- Greater efforts are being made to raise partner financing and sponsorships, without eroding ASEF's ability to make the key decisions through its majority controlling stake.
- Monitoring of Contributions from Member Governments:
  - Applications to Trust Funds are closely monitored and coordinated to ensure fair, effective and balanced utilization of the funds for appropriate projects, and that the final project reports conform to the requirements of the respective Trust Funds.
  - To allow more efficient coordination between ASEF and the respective Trust Funds, and to ensure that deadlines for applications are met and reporting requirements fulfilled, precise timelines and guidelines for the reporting documents are being updated.
  - Operating Funds are monitored closely by the Executive Director, who regularly reports back to the Board of Governors on the level of receipts and remaining balance, so that they can in turn keep their respective governments informed and seek funding support as necessary.
- An annual budget ceiling is set according to expected funding contributions and Discipline is exercised in ensuring close compliance with the budget commitments that have been identified in advance, and with the budget process. After four years of deficit budgeting, the Financial Year 2005/2006 looks set to end on a balanced budget. This is due to rigorous disciplines and included a cut in staff remuneration of 13%, elimination of several projects and all-round economising on expenditures.

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Prepared by: Asia-Europe Foundation  
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