



2019 ANNUAL STRATEGIC REVIEW

SUMMARY REPORT



UPU | UNIVERSAL
POSTAL
UNION



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MESSAGE FROM THE DIRECTOR GENERAL

In 2019, the Universal Postal Union (UPU) celebrated the 145th anniversary of its establishment. From 22 founding countries signing the Treaty of Berne in 1874 to 192 member countries today, the organization continues to be relevant to an ever-changing world.

The UPU seeks to provide solutions to its key stakeholders (governments, regulators and designated operators and other postal market players), while simultaneously playing its role as a specialized agency of the United Nations by supporting the achievement of the UN Sustainable Development Goals (SDGs).

The year 2019 marked the completion of the mid-point of the UPU's four-year Istanbul strategic cycle (2017–2020). A number of achievements were seen, and preparations began for the 27th Congress, due to take place in Abidjan, Côte d'Ivoire.

Moreover, 2019 marked an important milestone in the history of the UPU. Faced with the possibility of one of its major founding members withdrawing from the organization, the UPU organized the third Extraordinary Congress in Geneva to discuss issues related to settlement systems for cross-border mail, commonly known as "remuneration". The event was a resounding success, showcasing the strong spirit of consensus shared by UPU member countries.

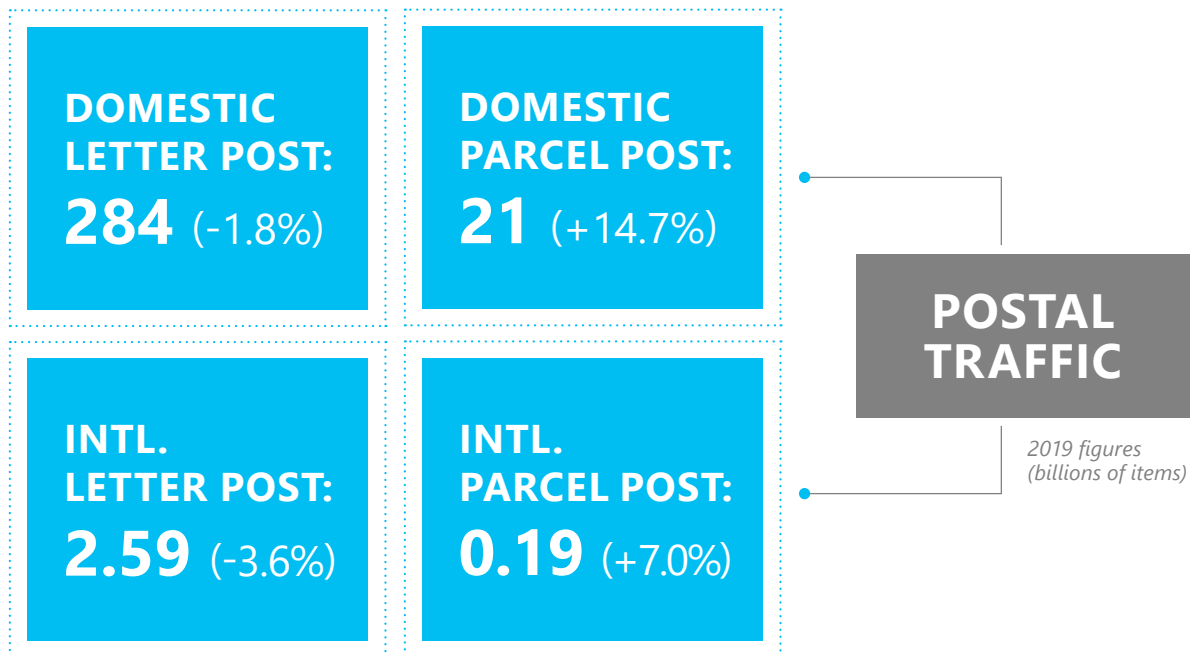
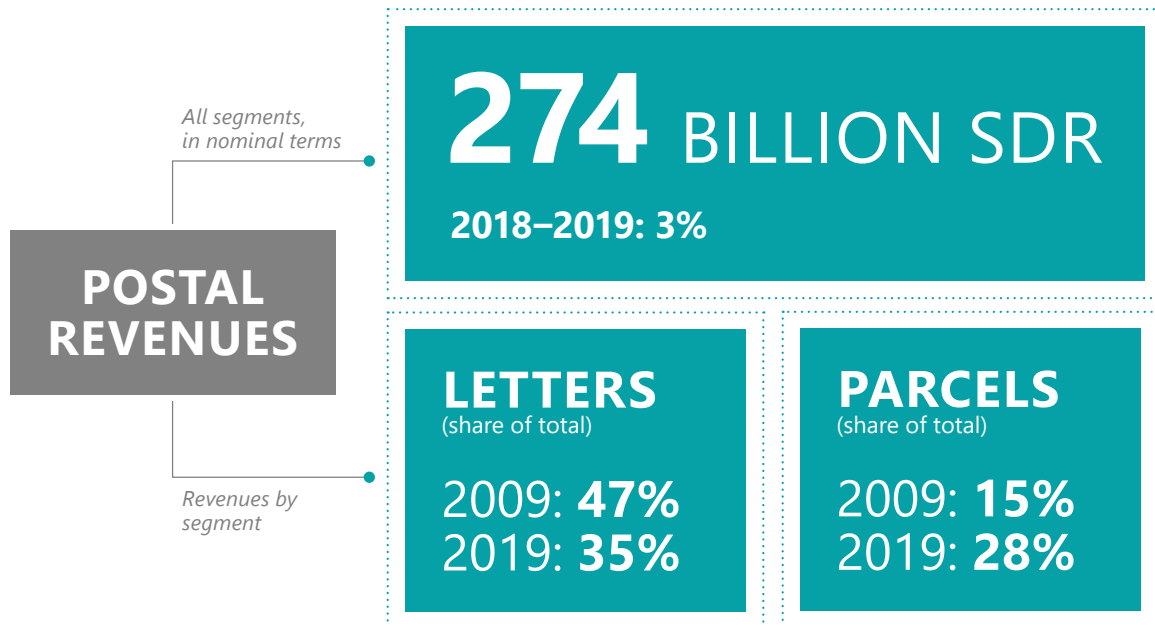
The Annual Strategic Review 2019 provides a snapshot of the organization's many achievements over the course of the year. The report commences with key facts and figures, followed in Section I by discussion of the overall macroeconomic trends impacting the sector and the UPU. In Section II, the report details the implementation of the Istanbul World Postal Strategy, and underlines the achievements by product. Finally, in Section III, corporate results for the organization are presented, with sub-sections for human resources and corporate governance. A snapshot of the UPU's financial statements is also provided for easy reference at the end of this report.

I hope you will find this publication useful. In spite of the many challenges ahead in yet another difficult year, I urge all of the organization's key stakeholders to keep the spirit of consensus of Geneva alive as we take this organization to greater heights together.



Bishar A. Hussein
Director General of the
UPU International Bureau

THE POSTAL SECTOR



Key facts and figures

INTERNAL OFFICES

431,708

2018–2019: **+0.2%**

ACCESS TO POSTAL SERVICES

90.6%

of population
receiving mail at home

POSTAL INFRASTRUCTURE

OUTSOURCED OFFICES

197,017

2018–2019: **-4.7%**

POSTAL STAFF

5,249,764

employees

2018–2019: **+0.3%**

POSTAL DEVELOPMENT

INTEGRATED INDEX FOR POSTAL DEVELOPMENT (2IPD)

RANKING FOR 2019
(TOP 3)

1



SWITZERLAND

2



NETHERLANDS

3



GERMANY

Key strategic aims (2017–2020 cycle): Improve interoperability, postal products and market functioning

PRODUCTS		
FORUM	TECHNICAL SOLUTIONS	KNOWLEDGE CENTRE
Numerous events organized every year, including the CEO Forum and World Postal Business Forum	2,100 postal experts from 149 countries trained through Trainpost	Over 22.9 billion tracking events captured since 2013
443 documents and 376 deliverables monitored and implemented by UPU bodies	47 standards managed and used by DOs	173 DOs exchanging EDI messages thanks to the UPU
140 hours of sessions	159 operator members of the Telematics Cooperative	Numerous publications on the state of the postal sector issued every year, such as the Postal Economic Outlook, the Postal Development Report and the Statistical Yearbook, plus a number of topical reports and analyses
48 countries using UPU*Clearing	197 users of Postal Technology Centre (PTC) mail/logistics software	
115 designated operators (DOs) in the target terminal dues system	71 DOs connected to the UPU electronic payments network	

Key facts and figures

STAKEHOLDERS AND REGIONAL PRESENCE

MEMBERSHIP	DELEGATIONS	REGIONAL PRESENCE
192 member countries	600+ delegates attending semi-annual sessions of the Council of Administration and Postal Operations Council	Headquarters in Berne, Switzerland
60 different countries represented on the Council of Administration and Postal Operations Council		Seven regional project coordinators
14 members of the Consultative Committee		

RESOURCES

STAFF	BUDGET	STRUCTURE
269 employees	65.44 million CHF per year (2019), of which 43% is extrabudgetary	Two councils and five cooperatives/user-funded bodies
42% female / 58% male		
63 nationalities		



The UPU and its environment

TRENDS AND RISKS

MACROECONOMIC CONTEXT

The year 2018 marked the end of the recovery of economic activity from the financial crisis and the beginning of a progressive slowdown, characterized by low gross domestic product (GDP) growth. As indicated by the World Bank, real growth hit 3.0% in 2018 and reached just 2.4% in 2019. This was in contrast to the 3.3% growth rate observed in 2017. The slackening of international trade has been more dramatic. Rising trade tensions coupled with increased uncertainty in the political arena pushed for a deceleration of world trade volumes, which grew by only 0.8% in 2019, a figure well below those of 2017 (5.9%) and 2018 (4.0%).

The overall macroeconomic situation was delicate before the outbreak of COVID-19. The unanticipated nature of the economic shock created by the pandemic resulted in a sharp revision of most growth forecasts. The World Bank predicts that 2020 will deliver the worst economic performance since World War II. Overall, global growth is forecasted to contract by 5.2% in 2020. Trade might suffer even more, as the World Trade Organization (WTO) predicts a worldwide drop of 13.4%. Unequivocally, all regions will see their output shrink in 2020.

Postal operators are feeling the effects of the worsening economic landscape. In 2020 and 2021, it is likely that they will be forced to operate within a context of low investment and increased operating costs. It remains to be seen whether the increase in demand for parcels and logistics will compensate, at least partially, for the slowdown of the economy.

POSTAL TRAFFIC

When the COVID-19 pandemic struck, postal operators had already been facing a continuing decline in the letter-post segment. Indeed, 2019 had marked a new contraction in both domestic and international letter-post flows. The volume of domestic letter-post items shrank by approximately 1.8% in 2019. This rate of decline was lower than the 10-year trend of -2.5% per year, suggesting a deceleration with respect to the long-term evolution. This

trend is expected to be confirmed once the final figures for 2020 become available, with losses of 10 billion items every year. Volumes of international letter-post items have continued to decline, with -3.6% in 2019, below the 10-year trend of -5% per year.

Traditionally, demand for mail products has been procyclical, i.e. economic downturns, such as the Great Recession of 2008–2009, have deeply affected postal flows. Admittedly, electronic substitution remains a key driver for the long-term decline of letter post. However, demand for services in this segment still correlates strongly with GDP per capita. In this context, the projected sharp recession in 2020, coupled with the foreseen 20% drop in international mail flows following the COVID-19 outbreak, does not augur well for letter post in the near future.

While it is difficult to make a prediction for domestic mail in 2020, a panel data analysis of 170 countries for the period from 2000 to 2018 suggests that a 5.2% drop in GDP in 2020 may cause letter-post flows to decline by 4.1%. This goes beyond the -3% figure that would have been expected in line with long-term trends, i.e. in the absence of COVID-19.

Unlike letter post, volumes of parcel post have continued to expand rapidly. In 2019, parcel post growth once again exceeded the 10-year trend (i.e. 14.6% vs 10.5%). Further expansion is likely in the future, with the number of items per year in this segment predicted to exceed 23 billion in 2020, despite the impact of COVID-19.

As with most economic activities during the COVID-19 crisis, predicting parcel volumes is a difficult exercise. However, one aspect will undoubtedly remain true as the year draws to a close: in the absence of a major logistical disruption or a sharp decrease in households' disposable income, demand for parcel post will be driven primarily by the development of e-commerce. In this context, volumes in this segment are unlikely to deviate substantially from the long-term trend. Domestic parcel volumes should thus increase by at least 10.5% in 2020, while the evolution in international parcels will be more uncertain, given the severe bottleneck created at the height of the "great lockdown".

POSTAL REVENUES

In recent years, postal revenues have grown in nominal terms. In 2019, revenues amounted to 274 billion SDR, i.e. 3% growth compared with 2018.

Although the largest source of financial income for postal operators remains the letter-post segment (35% in 2019), the proportion of revenue stemming from parcels and logistics continues to expand (29% in 2019). Given its impact on postal traffic, COVID-19 will undoubtedly have made a dent in postal operators' revenue by the end of 2020. Based on a panel of 197 countries and territories over the period from 2000 to 2018, the long-term elasticity of postal revenue with respect to GDP is estimated to be between 0.32% and 0.47%. Taking as a baseline the -5.2% prediction for global GDP, the total loss of revenue for the postal sector in 2020 could therefore be between 4.5 and 6.5 billion SDR.

POSTAL INFRASTRUCTURE AND STAFF

According to 2019 estimations, the global infrastructure of postal operators comprises approximately 628,725 post offices. This number has remained relatively stable over the last decade, with an estimated average annual decrease of 0.12%. Furthermore, around one third of these offices (197,017) are outsourced. The total number of staff employed by postal operators in 2019 has been estimated at 5.25 million. The workforce has gradually shrunk over the last decade and is now 6% smaller than 10 years ago.

COVID-19 has exacerbated the pressures on postal infrastructure that had already been accumulating over the years. The disruption caused to postal supply chains and the subsequent losses in volumes must be added to the increasing costs of running such a large and dense network. The low-margin nature of parcel post and the decline in letter-post volumes combine to compound the impact on the economics of the sector. In this context, productivity gains will become all the more critical for the sustainability of postal operators in the medium to long run.

POSTAL DEVELOPMENT

Every year, the UPU assesses the relative level of postal development around the world through its Integrated Index for Postal Development (2IPD), ranking countries accordingly. A total of 172 countries were assessed for the production of the 2019 edition. Industrialized countries led the ranking with an average 2IPD score of 69, followed by Eastern Europe and CIS (50), Asia-Pacific (29), the Arab region (26), Latin America and Caribbean (23), and Africa (21).

Switzerland, the Netherlands and Germany topped the ranking in 2019, followed by Japan (fourth) and France (fifth). There are many reasons for this outperformance: superior quality of service (reliability) across a wide range of postal products; dense global connectivity (reach) provided to customers; strong demand for domestic services (relevance); and resilience of business models in a fast-evolving world economy. More importantly, global champions are the ones that adopt diversified strategies encompassing all the areas covered by the 2IPD.

Yet, the situation of the top five does not reflect the global trend for the sector, which is being affected by growing gaps in postal development between and within regions. In fact, the 2019 ranking exhibits greater dispersion around the average (65%) than the 2018 edition (60%).

Going forward, it is important to continue monitoring the evolution of development gaps. In fact, the Postal Development Report 2019 finds that these gaps pose a potential hurdle to the development of international e-commerce as reflected by international parcel flows.

UN SYSTEM

Similar to what is happening in the postal sector, international organizations are also being affected by the major macroeconomic, societal and geopolitical trends in place. The General Debate of the 74th UN General Assembly, held between 24 and 30 September 2019, was one of the most well-attended in the organization's history: 192 member states addressed the Assembly, on the theme of "Galvanizing multilateral efforts for poverty eradication, quality education, climate action and inclusion". Throughout the event, world leaders, in almost total unanimity, highlighted the critical importance of multilateralism and international cooperation in addressing global challenges and promoting human rights, sustainable development, security and stability.

One example of the continued importance of multilateralism has been the growing visibility of the UN Sustainable Development Goals as a framework for channelling development. Adopted in January 2016, these goals are expected "to mobilize efforts to end all forms of poverty, fight inequalities and tackle climate

change, while ensuring that no one is left behind". There are 17 UN SDGs, further broken down into 169 targets and 244 indicators. As a UN specialized agency, the UPU is expected to support its member countries by analyzing the postal sector's contributions to the achievements of the SDGs, and recent qualitative and quantitative research by the UPU has shown that the postal sector potentially has a high impact in areas associated with financial inclusion, digitalization and disaster-risk management (DRM) (under Goals 8, 9, 11 and 17).

Yet, in spite of the unquestionable relevance of frameworks such as the SDGs, multilateralism is also under threat. Regional, bilateral and even unilateral alternatives are being considered as ways to resolve longstanding issues in areas such as peace and security or trade. The UPU has witnessed this directly, as one of its founding members, the United States of America, announced in October 2018 its intention to withdraw from the organization. Through its third Extraordinary Congress held in September 2019, the UPU was successful in retaining its multilateral character by reaching a landmark consensus decision that enabled that country to remain part of the organization.





ORGANIZATION

The UPU is an intergovernmental organization with 192 member countries, whose mission is “to stimulate the lasting development of efficient and accessible universal postal services of quality in order to facilitate communication between the inhabitants of the world”.¹ Established in 1874, it is the world’s second-oldest international organization, and, since 1948, it has been a part of the UN system, operating as a specialized agency.

Through close collaboration with other UN organizations and specialized agencies, the UPU has implemented a large number of projects that are critical to the postal sector and the achievement of the UN SDGs. Through the International Bureau, the UPU fulfils three main functions:

It is a unique forum that builds consensus and convergence, bringing together governments, regulators, DOs and other stakeholders from 192 countries with a view to sharing experiences and identifying multilateral solutions to global and regional challenges.

It is a provider of affordable technical solutions that can support postal operators and other market players in their efforts to increase operational efficiency.

It is a knowledge centre capable of fostering capacity development and knowledge and information sharing, and of providing high-value-added research and analytics to all stakeholders interested in using big data on 192 countries to seize the opportunities offered by global trends, such as the growth of e-commerce.

CONGRESS AND COUNCILS

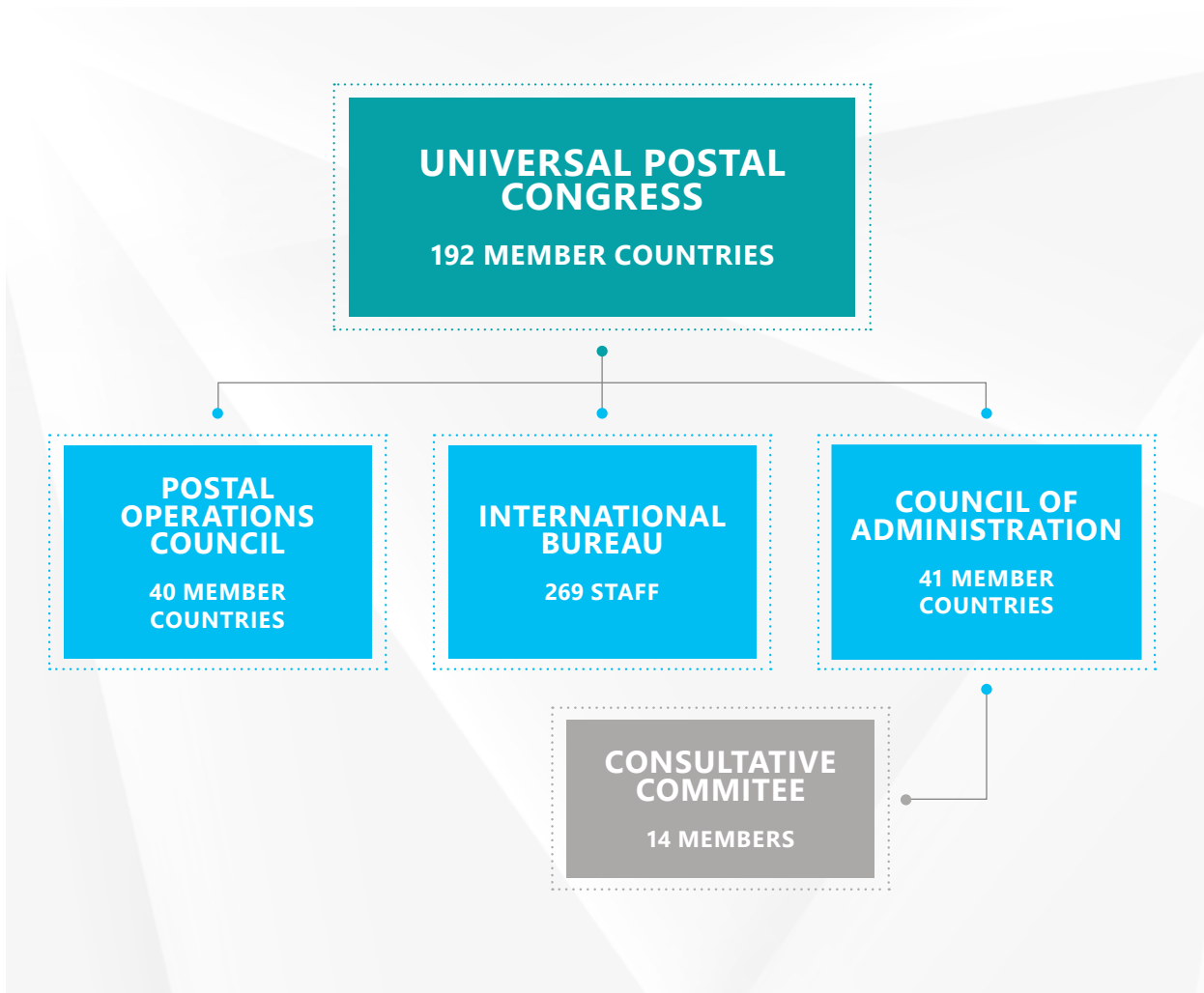
Congress is the supreme authority of the UPU and meets every four years. Plenipotentiaries from the UPU’s 192 member countries gather on this occasion to decide on a new world postal strategy and set the future rules for international mail exchanges.

Between Congresses, continuity of work is ensured by the Council of Administration (CA). This body consists of 41 member countries and meets twice a year. The CA supervises UPU activities and examines regulatory, administrative, legislative and legal issues.

The Postal Operations Council (POC) is the UPU’s technical and operational forum, consisting of 40 member countries elected during Congress.

The POC’s work programme is geared towards helping postal operators modernize and upgrade their postal products and services. It deals with the operational, economic and commercial aspects of the postal business.

¹ Preamble to the UPU Constitution.



COMMITTEES AND COOPERATIVES

In addition to the two main councils, smaller committees and cooperatives serve specific roles within the UPU. For example, the Consultative Committee (CC) aims to represent the interests of the wider postal sector and includes non-governmental organizations that have an interest in supporting the UPU's mission and objectives. Another example is the EMS Cooperative, which promotes cooperation between postal organizations to allow them to provide customers with a high-quality express delivery service on a global basis.

REGIONAL PRESENCE

The UPU has its headquarters in Berne, Switzerland. Regional project coordinators are in place to ensure technical cooperation in developing regions. Field offices have been set up in every region (Western Europe, Southern Asia and Oceania, Africa, Eastern Europe and Northern Asia, and Western Hemisphere). As needed, official missions to countries around the world are carried out by a wide range of experts of the International Bureau.

HIER WURDE DER
WELTPOSTVEREIN
GEGRÜNDET AM IX.OCT. 1874





INTERNATIONAL BUREAU

The International Bureau (IB) is a central office operating at the UPU headquarters under the guidance of the Director General and the control of the CA.² It serves as an organ of execution, support, liaison, information and consultation, thus fully supporting the UPU in fulfilling the functions highlighted above.

The IB is currently composed of nine directorates. The following is a summary of the key objectives of each of them:

The Postal Operations Directorate (DOP) is responsible for implementing all operational aspects of the UPU strategy and encompasses the complete range of international postal operations. Key focus areas include solutions for postal operators in the areas of letter post, parcels and express mail. The DOP also provides secretariat services to the POC.

The Development and Cooperation Directorate (DCDEV), serving as an interface with member countries and restricted unions, implements the UPU's development cooperation policy. Its key areas of activity include regional development plans, multi-year integrated projects, integrated postal reform, development plans, and capacity building.

The Policy, Regulation and Markets Directorate (DPRM) encompasses three key areas of IB activities: remuneration; regulatory aspects relating to the UPU's intergovernmental nature; and development of specific solutions such as electronic services, e-commerce, trade facilitation, postal financial services and direct marketing. The DPRM also provides secretariat services to the CA and the CC.

The Executive Office Directorate (DIRCAB) closely supports the Director General and the Deputy Director General in their duties as the organization's two top executives. It comprises four main areas: cabinet and council affairs; communication and events; research and strategy; and governance and internal control.

The Postal Technology Centre Directorate (DCTP) is the operational arm of the Telematics Cooperative. It develops a range of technological applications and software solutions for UPU member countries. It also supports the IB's technology and infrastructure.

The Logistics Directorate (DL) is responsible for the maintenance and upkeep of the UPU's headquarters. It also organizes logistics for the meetings of all UPU bodies, including Congress, and coordinates the interpretation of proceedings and the translation of documents into the UPU's working languages. In addition, it manages the programme on philately and international reply coupons.

The Finance Directorate (DFI) is responsible for the organization's financial management. This involves preparing financial statements and the budget, processing the UPU's financial transactions, including bills, salaries, pensions, other payments and contributions from member countries.

The Legal Affairs Directorate (DAJ) helps to ensure that the decisions taken by UPU bodies and the actions of the UPU are legally sound. It also provides legal advice to the UPU bodies and the IB.

The Human Resources Directorate (DRH) supports all other directorates in the day-to-day management of IB staff, also organizing recruitment and training. It manages career paths, maintains relations with the Staff Association and implements staff regulations and policies.

² Article 20 of the Constitution.

DIRECTOR GENERAL AND DEPUTY DIRECTOR GENERAL

The Director General organizes, administers and directs the IB.³ The functions of the Director General also include the preparation of the Union strategy, the quadrennial UPU business plan to be submitted to Congress, and the annual budget to be considered by the CA.⁴

The duties of the Deputy Director General are set out in article 128 of the General Regulations and essentially consist of assisting the Director General in his work and replacing him when necessary.



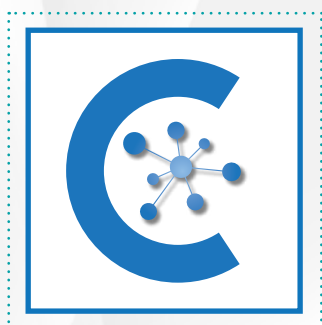
³ Article 127 of the General Regulations.

⁴ The functions of the Director General in the areas of personnel and finance are also set out in the IB Staff Regulations, in the Rules Governing Non-Core Staff of the IB and in the UPU Financial Regulations drawn up by the CA.

STRATEGY

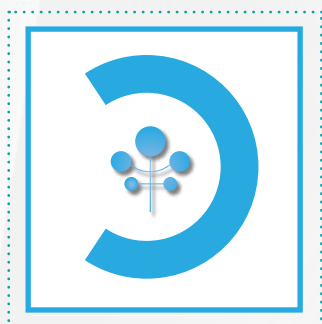
GOALS

In 2016, the Istanbul Congress adopted an ambitious strategy for the 2017–2020 cycle, inspired by the UPU's mission and the UN SDGs. With three main goals (interoperability, modern and sustainable products, and market and sector functioning) and one cross-cutting supporting lever (development cooperation), this strategy is formally known as the "Istanbul World Postal Strategy" (IWPS). It was approved along with a business plan containing further details on expected outcomes, targets and financial resources required.



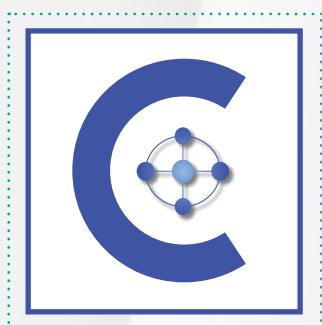
GOAL 1 – Improve the interoperability of network infrastructure

The regional asymmetries in postal development highlight the need to tackle bottlenecks in the postal supply chain, including by bringing different countries to the same level of operational performance in a variety of facets of their national infrastructure. Goal 1 of the IWPS is aligned with this ambition.



GOAL 2 – Ensure sustainable and modern products

It is already widely recognized that e-commerce and the ensuing "explosion" of light logistics provides opportunities for postal operators to compensate for lost revenues in their historical activities of letter-mail delivery. Goal 2 of the IWPS therefore promotes product development in the postal sector for a variety of critical segments.



GOAL 3 – Foster market and sector functioning

As the latest postal development figures show, the sector needs a holistic approach in order to bridge existing gaps so that regulatory bottlenecks, market knowledge gaps and sustainable development concerns can be addressed. The programmes under Goal 3 of the IWPS are aimed at providing postal sector stakeholders with the information and guidance they need to fulfil this ambition.

SUPPORTING LEVER

As an additional lever to the strategy, the development cooperation programme is a cross-cutting activity supporting all areas of the strategic goals, and promoting convergence in postal development – a critical aim for the postal sector.



Implementation of the strategy

IMPLEMENTATION AND MONITORING TOOLS

A number of tools are used to implement and monitor the strategy. These include the business plan, the strategy implementation report, and the deliverables matrix.

BUSINESS PLAN

In 2012, the Doha Congress introduced a new practice whereby a draft four-year business plan is developed and approved by Congress in order to guide the activities of the UPU throughout the ensuing cycle. The IWPS forms the basis of the 2017–2020 Istanbul Business Plan. Its aim is to provide high-level strategic guidelines that will enable the UPU both to respond to the key challenges that it faces and to seize existing and future opportunities.

The first chapter of the business plan focuses on key trends in the UPU's macro-environment that could influence the organization's activities. The second chapter outlines the organization's mission, vision and strategy for the 2017–2020 cycle. The third chapter revolves around the work proposals (over 40 in total), targets and resources on which the UPU will rely to manage and monitor the implementation of the strategy.

The business plan is updated at every session of the CA. Soon after the Istanbul Congress, a revised version was prepared, with updates in line with Congress decisions and financials related to 2017. The version presented at the 2019 sessions of the CA included updated key performance indicators and targets, overall budget information, and the estimated funding gap for the remainder of the cycle.

STRATEGY IMPLEMENTATION REPORT

Istanbul Congress resolution C 23/2016, through which the strategy was approved, instructed the permanent bodies of the Union to “regularly examine the state of implementation of the IWPS through active and ongoing measurement and evaluation” and to “regularly disseminate the results achieved to Union member countries”.

In order to comply with this mandate, the CA and the IB are tasked with regularly monitoring and evaluating the IWPS. The strategy implementation report is the prime tool for this purpose. Issued twice per year, it comprises key information on the trends in the macro-environment of the UPU, on the achievement of strategic targets and on the execution of deliverables by the CA and POC.

DELIVERABLES MATRIX

The deliverables matrix constitutes a key tool for monitoring the implementation of Congress decisions by the UPU bodies during the cycle and reflects the direct conversion of mandates given by Congress (through Istanbul Business Plan work proposals and Congress resolutions) into specific deliverables.

Accordingly, for each CA and POC body (Plenary, committee, standing group, task force, etc.), the deliverables matrix contains the following information:

Reference to Congress decisions (i.e. work proposals and resolutions);

Deliverables and sub-deliverables;

Deadlines for all deliverables using standardized codes for each session;

Confirmation as to whether the deliverable requires a decision from the Plenary or corresponding committee;

Reference to the working body in charge of implementing the deliverable;

General remarks;

Reference to any linkages to other projects;

Status of completion.

The matrix is presented at every CA and POC session as part of the official agenda and includes the status of completion of the deliverables. The bodies responsible for these deliverables present their reports to the councils and explain any delays. The Plenary and committees thus have the opportunity to validate reported achievements and confirm suggested changes in scope, time or cost. In this manner, at the end of each session, the provisional agenda for the next one will already be drafted.

IMPLEMENTATION OF STRATEGIC GOALS IN 2019

The strategic targets that apply to the different Congress resolutions and Istanbul Business Plan work proposals were approved at the first session of the CA in March/April 2017. These targets are monitored closely through the above-mentioned strategy implementation report, and can be calibrated, if required, to ensure that the activities of the organization are aligned with key trends affecting the world economy and the postal sector. A summary is presented below.

Goal 1 consists of five programmes aimed at bringing countries to the same level of operational performance. These include quality of service, supply chain and security, accounting and operational processes, information and communication technologies (ICT), and standards.

In 2019, most targets for Goal 1 were met or even exceeded. For example, the number of countries with validated quality of service delivery standards for parcels reached 125 versus a target of 60 for the year. Moreover, the Global Monitoring System (GMS) objective related to measurement and reporting for legs 1 to 3 for physical postal products in international links was greatly exceeded, reaching 228, against a target of 30. Similar to previous years, the number of countries viewing direct broadcasts of CA and POC sessions surpassed the target, with 169 countries against an objective of 20.

Goal 2 comprises programmes on e-commerce and trade facilitation, financial inclusion and financial services, product and service diversification and harmonization, integrated remuneration, and e-services.

Many targets for Goal 2 were met and sometimes even exceeded. For instance, the international reply coupon sales turnover exceeded its 2019 objective, recording 440,000 CHF versus a target of 250,000 CHF. In addition, 100% of the Quality Link User Group participant issues were reviewed, decided upon and implemented before release of final performance results. Moreover, the estimated annual increase in the overall cross-border international postal tonnage (as first proxy indicator for items containing goods) reached 33% versus the target of 10%.

Goal 3 comprises five programmes, namely universal service obligation (USO); policy, regulation and strategy; market and sectoral information; sustainable development; and capacity development. All these programmes are intended to foster market and sector functioning.

Similar to the previous goals, most targets were met and even exceeded for Goal 3, such as the number of references to the UPU and postal services in relation to the UN SDGs (2,130 references above target). In addition, the target of 15 staff trained through the Trainpost DRM module was far exceeded, with 95 staff trained. Furthermore, 15 countries benefited from technical assistance and implementing a new DRM policy based on the UPU DRM guide (13 countries above target).

The development cooperation **supporting lever** encourages developing countries to benefit from UPU support in the field of operational readiness for e-commerce (first-level key regional projects), and enables the formulation and implementation of second-level regional projects.

A number of activities are conducted through the supporting lever, which benefits many countries around the world. In 2019 alone, 82% of development cooperation activities were implemented in the field of operational readiness for e-commerce (ORE) (first-level key strategic regional projects) for the benefit of developing countries. In addition, eight second-level regional projects were formulated and implemented, with both results exceeding targets for the year.

ACHIEVEMENTS BY PRODUCT

FORUM EVENTS

CEO Forum

The fourth UPU World CEO Forum was held on 30 September 2019 in Amsterdam, Netherlands. Under the theme “New business models in an age of change”, postal CEOs discussed opportunities that the industry can leverage to build strong and vibrant postal organizations for the future.

In previous forums held in Paris (2016), Moscow (2017) and Istanbul (2018), CEOs from postal operators, academics and representatives of intergovernmental organizations were brought together to discuss crucial topics for the industry. Themes in previous years included examining the opportunities of e-commerce and financial services, the transformational role of big data, the strategy development process to meet the needs of key

stakeholders, and ways to develop a diversified portfolio, better performance and perhaps a redefined mission.

In 2019, for the first time, the CEO Forum was organized as part of the Parcel and Post Expo. Additionally, the forum was opened up to CEOs from leading postal industry firms, allowing participants to hear additional perspectives from across the sector. The Forum centred around panels on blockchain and providing postal services for two diverse sections of the population: older people and young people.

In the first session, speakers discussed blockchain innovations in the international postal sector, including the outcomes of their partnerships with start-ups. Indeed, as digitalization takes hold and affects whole swathes of national economies, businesses need to adapt and innovate more rapidly than ever. In this context, blockchain and cryptographic technologies, particularly those developed by start-ups and later applied to the postal sector, can be part of the answer.

The second session saw speakers exploring the effects of ageing populations on their national economies and ways through which their organizations have developed new solutions tailored to the needs of this group. This discussion is of vital importance given the increasing acceleration of demographic transition around the world, prompting a demand for postal services that can help address the needs of the older strata of the population.





On the other hand, the postal sector is also being called upon to cater to the needs of a group on the opposite end of the demographic spectrum: young people. So, in the third and final session of the forum, postal CEOs examined ways in which the increasing needs of this group can be met.

As the 2019 event confirmed, in all its different formats, the CEO Forum offers a unique opportunity for postal sector leaders to come together under the aegis of the UPU, and discuss trends in the sector in a collaborative manner.

World Post Day

World Post Day is celebrated annually on 9 October. The event was originally created by the 1969 Universal Postal Congress in Tokyo as a means of marking the anniversary of the UPU's creation in 1874.

2019 marked the 145th anniversary of the UPU, and the 50th anniversary of the establishment of World Post day. The theme for 2019 was "145 years of delivering development", underscoring the UPU's work of enhancing not just sustainable postal development, but the contribution made by postal operators to their countries' economies. In order to celebrate this special occasion, a number of activities were conducted at UPU headquarters in Berne, as well as in most of the 192 UPU member countries.

The festivities began with a high-profile breakfast held in the centre of Berne, Switzerland, with members of the diplomatic community and representatives of Swiss institutions, who commemorated the formation of the UPU. Celebrations took place in the very room where the Treaty of Berne was signed by the 22 founding countries in 1874. That treaty unified postal services, enabling international mail to be exchanged freely.

This ceremony was followed by a special event to announce the winners of the 48th International Letter Writing Competition for Young People. The gold medal was awarded to Richemelle Francilia Somissou Koukou from Benin. Gibraltar's Alana Sacarello came second, with Azerbaijan's Leyla Dadashova in third place. Since 1971, when the competition was first launched, millions of young people all over the world, up to the age of 15, have been taking part every year, both nationally and internationally.

During the World Post Day 2019 celebration, prizes were also awarded for the countries ranked at the top of the annual Integrated Index for Postal Development (2IPD), which provides an overview of postal development around the globe. The 2IPD is a composite index that summarizes information about the performance of postal operators in over 170 countries. As such, it provides a unique tool for analyzing the state of the postal sector. Thanks to its wide geographic coverage and the depth of its underlying data, this index appeals to a multitude of stakeholders.



In 2019, Switzerland continued to top the ranking, followed by the Netherlands and Germany. The regional leaders for the year were Poland, China (People's Rep.), Tunisia, Colombia and Nigeria.

Finally, in his statement on the occasion of World Post Day, the Secretary-General of the United Nations, Antonio Guterres, highlighted that "the world's 600,000 post offices are an extensive network that connect people and help to advance financial inclusion, an important spur towards ending poverty and encouraging economic growth. The sector is also part of the vital underpinning of globalization, demonstrating, as "One world. One postal network", the benefits of international cooperation."

Third Extraordinary Congress

In the course of the year, UPU member countries voted to convene the third Extraordinary Congress in Geneva, Switzerland, from 24 to 26 September 2019. The decision to hold this event followed concerns raised by several member countries related to the remuneration system for bulky letters and small packets, and the intention of a major founding member to withdraw from the Union.

This was the third Extraordinary Congress in the UPU's 145-year history. The first was hosted in Berne in 1900 to celebrate the organization's 25th anniversary. The second was held in Addis Ababa, Ethiopia, in September 2018 to discuss pressing topics related to the sustainability of the UPU and the postal sector.

Over 130 member countries were represented at the third Extraordinary Congress in Geneva. After lengthy deliberations, a decision was reached for the UPU to accelerate rate increases to the system used to remunerate the delivery of inbound international bulky letters and small packets, phasing in self-declared rates starting as soon as 2020. The Extraordinary Congress approved the proposal, known as "Option V," by acclamation.

The decision was seen as a pivotal victory showcasing the spirit of consensus of UPU member countries, resulting in the revocation of the country in question's intention to withdraw.

UPU REGIONAL STRATEGY FORUMS

Regional strategy forums constitute a key feature of the UPU's strategy development process. Therefore, as the initial draft for the development of the 2021–2024 strategy was approved in April 2019, it was subsequently taken to the six UPU regions for further consultation and discussion.

UPU regional strategy forums held in 2019

The regional strategy forums held in 2019 were generously hosted by Belarus, Burkina Faso, Costa Rica, Cuba, Egypt, and Thailand. Representatives from more than 133 member countries from all regions of the world actively took part in these events.

A similar structure was used in each region, with each event spanning two days. All the forums began with a formal opening ceremony featuring speeches from high-level government representatives, such as presidents and ministers from the host country.

After the opening ceremony, dedicated panel discussions were held for governments, regulators and operators with dynamic speakers, including ministers, CEOs and other decision-makers from the sector. Through a concluding section on the second day, member countries were able to agree on the key outcomes of their respective regions. A summary of this information was shared with all participants following each forum.

The conclusions of the different discussions enabled the UPU to identify which areas in the draft strategy are valued by the different regions.





UPU global conference on cross-border cooperation

The high-level UPU global conference on cross-border cooperation in an e-commerce world was organized in close cooperation with the China State Post Bureau and China Post Group, and was held in Xiamen, China, in November 2019. The event was attended by participants from more than 100 countries, representing designated operators, customs authorities, border agencies,

railways, airlines, e-commerce platforms, international organizations (World Customs Organization (WCO), International Air Transport Association (IATA), European Commission, International Narcotics Control Board (INCB), Intergovernmental Organization of International Carriage by Rail (OTIF), Organization for Cooperation between Railways (OSJD), etc.) and IT suppliers from the global postal supply chain. The conference also included a special session focused on mail transport by rail.



SECRETARIAT

COUNCIL OF ADMINISTRATION

The UPU CA held its first semi-annual session of the year in Berne from 8 to 12 April 2019. Key topics included the following:

Approval to submit all three options on remuneration for E format letter post to UPU member countries at the possible third Extraordinary Congress or by postal ballot;

Approval to launch a postal ballot for UPU member countries to vote on whether to convene an Extraordinary Congress on 24 and 25 September 2019;

Approval to launch a postal ballot to vote on the CA proposals to amend the Convention and to adjust the ballot to include all three options and any other amendments required to ensure the clarity of the document, in the event that the vote to convene a third Extraordinary Congress was rejected by member countries;

Approval of the submission of a proposal concerning the limited scope of council and member country proposals to be brought before the Extraordinary Congress;

Note taken of a detailed report concerning the resilience of the UPU in the event of a major withdrawal by a Union member country (with a particular focus on the announced withdrawal of a major founding member);

Approval of the initial draft of the Abidjan Postal Strategy 2021–2024.

In its second session of the year held from 22 to 26 October 2018, the CA dealt with the following key topics, among others:

Presentation by the Executive Secretary of the West African Postal Conference (WAPCO) of information on the organization's activities, and gave an overview of the cooperation between WAPCO and its various stakeholders, including the UPU and other restricted unions;

Approval of the revised draft of the Abidjan Postal Strategy 2021–2024;

Approval of the establishment of formal relations between the UPU and the World Free Zones Organization;

Note taken of the information from Côte d'Ivoire (Rep.), which, as the host country of the 2020 Congress, informed the CA of the preparations for the next Congress, originally due to be held in Abidjan from 10 to 28 August 2020.

POSTAL OPERATIONS COUNCIL

The first POC session of 2019 was held from 1 to 5 April. Key topics covered included the following:

Approval of the basic airmail conveyance rate for 2020;

Approval of the operational conditions and pricing model for wider postal sector players to access two segments of the postal supply chain, namely customs and airlines, and submission of the document in that connection to the CA for final approval;

Approval of a proposal to amend article 36-001 of the Convention Regulations to show the new EMS logo with an implementation date of 1 January 2021;

Presentation of Quality of Service Fund (QSF) awards to recognize Union member countries for their outstanding achievements in implementing quality of service projects to 12 countries and territories (Bahrain (Kingdom), Barbados, Belarus, the Cayman Islands, Costa Rica, Cuba, Eswatini, Macao (China), Malawi, Mauritania, Togo and Turkey).

The POC held its second session in Berne from 14 to 18 October 2019. Key topics discussed included the following:

Approval of recommendations for inclusion in the draft 2021–2024 Integrated Remuneration System for submission to the 27th Congress;

Approval of proposals to make the Postal Payment Services Agreement a permanent Act of the Union;

Approval of principles for connecting wider postal sector players to the UPU global electronic postal payment network;

Approval of proposed funding schedule for the Quality Link User Group (QLUG) to be submitted to the CA, for endorsement and submission to the 2020 Congress.

SETTLEMENT MECHANISMS

UPU*CLEARING

UPU*Clearing is an efficient, low-cost means of settling international postal accounts. It is a receivable-driven system, with the creditor billing the debtor. This secure system is accessible online and offers fast and free implementation.

With 48 members worldwide, the system processed more than 302 million SDR in 2019, with a 96.4% member satisfaction rate, and a 30% increase in transactions between 2015 and 2019.

REMUNERATION

The UPU ensures the provision of affordable and viable universal postal services through sustainable remuneration systems applied by DOs in their international postal exchanges. In this regard, it aims to implement a more integrated approach to remuneration across the full range of postal services, with a view to modernizing and unifying the system.

The year witnessed many achievements in this area, beyond the decisions of the Extraordinary Congress mentioned above. For instance, 100% of the QLUG participant issues were reviewed, decided upon and implemented before release of final performance results. Furthermore, the work on the development of a proposal for an Integrated Remuneration System for the 2020 Congress progressed on track, with 50% completed in 2019.

PROVIDER OF TECHNICAL SOLUTIONS

CONSULTING AND CAPACITY BUILDING

Technical cooperation is a key tool for achieving the strategic objectives of the UPU. It helps to reduce the “postal divide” between industrialized and developing countries and enables the transfer of know-how. The IB’s DCDEV manages and implements technical cooperation and is involved in designing and developing UPU policy in this area.

In 2019, the CA committee responsible for this topic focused on preparing the new development cooperation policy for 2021–2024, with many member countries and observers taking an active part in the process. From the analyses carried out and lessons learned in recent years, it was concluded that UPU development cooperation policy for the next cycle should shift its strategic focus towards field activities, increasingly taking into consideration changes in postal markets in an environment where a number of actors have a decisive influence on sector-wide development. It was thus recommended that cooperation activities give greater consideration to new national strategies and the role of the key actors, namely governments, regulators and postal operators in the market.

The approach adopted with respect to integrating postal operations, activities and e-commerce is proving to be a success. The formulation of national action plans as part of ORE projects makes it possible to monitor developments on a country-by-country basis and the progress made by beneficiary countries towards meeting their commitments. Indeed, cooperation has become more results-oriented and is based on a deployment approach favouring projects that impact countries in the priority areas adopted by Congress that promote greater accountability on the part of beneficiary countries.

ORE projects are under way in all regions. The goal is to help DOs put in place an integrated portfolio of reliable, trackable and affordable UPU products that meet the needs of customers and e-retailers in order to ensure full alignment with e-commerce processes and exchanges.

Furthermore, the creation of a network of experts (regional project facilitators working with UPU regional project coordinators) has also made it possible to strengthen operational activities in the field, provide more effective assistance to national ORE teams, and ensure ongoing monitoring of project activities.

TRAINING STRATEGY

The IB developed a four-year training strategy for development cooperation covering the following areas: training in key strategic projects and priority areas of the IWPS; training for the least developed countries; modernization of the current Trainpost platform; and strengthening of the role played by restricted unions in regional training centre activities. For instance, in 2019 alone, 67 Trainpost certificates were issued for completion of security training modules.

INFORMATION TECHNOLOGY (IT) SOLUTIONS

POSTAL TECHNOLOGY CENTRE SOLUTIONS FOR COUNTRIES

Operating under the auspices of the POC, the Telematics Cooperative was established to develop the UPU's IT activities and operations. The PTC, which is part of the IB, acts as an organ of execution, support, liaison, information and consultation for members of the Telematics Cooperative and for the UPU as a whole.

In 2019, the various PTC product areas included the following:

The International Postal System (IPS), an integrated international mail management application, which combines mail processing, operational management and electronic data interchange (EDI) messaging in one application;

The International Financial System (IFS), which uses EDI to send international money order data electronically;

POST*Net, aimed at providing electronic interconnectivity between participants in the postal supply chain by using state-of-the-art electronic messaging;

Quality solutions, including electronic publications and big data and other analysis and reporting tools;

Advanced electronic services, including global applications to run under .POST, interconnectivity solutions and applications for e-services;

Supply chain integration, providing a comprehensive IT framework which can be used by DOs and their partners in the supply chain to provide customers with modern and innovative postal services;

The Customs Declaration System (CDS), through which 48 users captured, transmitted and processed customs data in 2019 (up from 11 in 2018).

In 2019, 173 DOs exchanged EDI messages through the POST*Net network. The total number of users of mail and logistics software stood at 197.

STANDARDS AND CERTIFICATION

Standards are necessary for effective postal operations and to interconnect the global postal network. The UPU's Standards Board develops the technical standards and EDI message specifications that facilitate the exchange of operational information between postal operators. It also coordinates UPU standardization initiatives with those of other international standardization bodies and works closely with postal operators, customers, suppliers and numerous international organizations to this end.

In 2019, 7.14% of active standards (with a status below 2) moved to a different status within the standards approval process, versus a target of 5%. In addition, 100% of the proposals for standardization were treated within three months of formal submission to the body responsible for the handling of all UPU standardization activities.

KNOWLEDGE CENTRE

DATA CENTRE

The UPU plays an important role as a data centre. Through its mandate, the UPU gathers, consolidates and safeguards data on the postal sector that may be of interest to governments, regulators and DOs. The organization is specialized in two types of analytical data: postal big data and official postal statistics.

POSTAL BIG DATA

Postal big data results from EDI exchanged between operators worldwide. With over 22.9 billion records captured by the UPU since 2013, postal big data covers three important areas: personal data, transactional data and operational data. Personal data concerns the identities of and detailed information on senders and recipients of postal products. Transactional data relates to the volume of transactions between DOs, which communicate in real time the departure of mail receptacles or acknowledge receipt of dispatched items. Lastly, operational data concerns the quality of electronic interchanges and the efficiency of the postal supply chain. One product that has benefited from the availability of postal big data is the 2IPD, which uses tracking data to measure two of its four key dimensions (reliability and reach).

POSTAL STATISTICS

The postal statistics compiled by the UPU are arguably one of the oldest products provided by the organization. Indeed, the UPU has been collecting this data on a regular basis from member countries since the last quarter of the 19th century. Today, these statistics are not only a requirement (article 132 of the UPU General Regulations, as well as the Agreement between the Union and the UN, article VIII), but also constitute a key input for several crucial activities of the organization and sector.

UPU postal statistics consist of a comprehensive set of data on the activities of DOs worldwide as well as indicators from regulatory authorities in charge of postal services. Data sheets are available for 194 countries and territories in 2019, with different indicators on staff, post offices, delivery modes, revenue streams and postal activity. The immediate product of this data source is the Statistical Yearbook, issued on a yearly basis.

The rich combination of available data allows the UPU to pursue an ambitious research agenda in collaboration with other international organizations. Thanks to the granularity of the data, the UPU provides its members with reliable information and detailed analysis of the sector.

FOCUSED ANALYSIS

Focused country analyses are also available on demand. These enable countries to thoroughly examine the status of their postal development and to identify areas of improvement to boost their performance. By the end of 2019, seven comprehensive country projects drawing on the results of the 2IPD had been carried out.

CORE RESEARCH

POSTAL ECONOMIC OUTLOOK AND POSTAL DEVELOPMENT REPORT

Postal services play a key role in promoting and enabling social and economic development. It is therefore useful for governments, regulators, DOs, electronic retailers, UN agencies, academics and the wider public to have access to in-depth knowledge about the key transformations affecting the postal sector, globally and regionally.

Drawing on the data collected and analyzed by the UPU's research team, for the third year in a row, the annual edition of the Postal Economic Outlook reported on the latest statistics in the postal sector and put them into perspective within the current macroeconomic context.

In the Postal Development Report, also issued on a yearly basis, the UPU studies the situation of postal development around the world, drawing on a wide range of quantitative and qualitative information. The 2019 edition included the ZIPD ranking, spanning 172 member countries. It also provided insights on the relation between postal development gaps and productivity, and the internationalization of postal services.

COLLABORATIONS AND RESEARCH PARTNERSHIPS

As a specialized agency of the United Nations, the UPU has a role to play in providing data, insights and recommendations that can enable governments and other stakeholders to promote socioeconomic development. To that end, the UPU has undertaken several collaborative projects with the UN and other international organizations.

MEASUREMENT OF E-COMMERCE DEVELOPMENT (UNCTAD)

Currently, the UPU is involved in a long-term partnership with the United Nations Conference on Trade and Development (UNCTAD) with the goal of improving the measurement of international e-commerce and its impact on development. For three consecutive years, the UPU has leveraged its wealth of postal data to calculate the postal reliability score, which is one of the four pillars of UNCTAD's e-commerce measurement index. This particular collaboration reveals how important UPU data has become within the context of global efforts directed towards improving the understanding of key drivers behind the growth of e-commerce worldwide.

ESTIMATION OF INTERNATIONAL LOGISTICS CONSTRAINTS (ICAO)

In its research collaboration with the International Civil Aviation Organization (ICAO), the UPU has tried to understand the role of logistics constraints in the development of cross-border e-commerce. By combining international shipping tonnage data with bilateral plane schedules, the project has estimated the logistics inefficiencies generated by delays in getting mail from planes to sorting centres. The research showed that logistics inefficiencies constitute a hurdle to the growth of cross-border postal flows, and that their reduction would help to foster international e-commerce.



CONTRIBUTION TO THE LOGISTICS PERFORMANCE INDEX 2.0 (WORLD BANK)

The Logistics Performance Index (LPI) 2.0 project intends to provide an improved version of the Logistics Performance Index, developed by the World Bank. To that end, the World Bank is using novel data sources and analytics to enable policymakers to benchmark a country's logistics performance. The current LPI, based on surveys, captures the complexity of supply chains and highlights the importance of supply chain reliability as the most pivotal outcome for achieving trade competitiveness and inclusive economic growth. For its part, and as a pioneer user of big data solutions in the UN system, the UPU has amassed vast quantities of data on international logistics. In this context, the UPU and the World Bank have decided to join forces for a project aimed at measuring logistics performance on a global scale.

MEASUREMENT OF INTERNATIONAL (OFFICIAL) E-COMMERCE STATISTICS (OECD, WTO AND UNCTAD)

The UPU has also joined forces with the WTO, UNCTAD and the Organization for Economic Cooperation and Development (OECD) in an effort to establish a framework for official international trade statistics, encompassing indicators associated with e-commerce and the digital economy. In particular, the three organizations have begun to study the possibility of using postal data (e.g. information on e-commerce shipments, such as product options, track-and-trace and return options, and information on electronic customs declarations between postal operators) to measure digitally ordered merchandise trade broken down by business-to-business (B2B) and business-to-consumer (B2C) transactions.

PHILATELY

The UPU's philatelic activities are coordinated by a dedicated IB programme. Among other things, this programme acts as the secretariat of the World Association for the Development of Philately (WADP), organizes round tables and philatelic forums, and coordinates relations with the philatelic press, catalogue publishers, stamp dealers, security printers and philatelic associations.

It also supervises the WADP World Numbering System (WNS) – a register of all official postage stamps issued by its 188 members. In addition, the programme manages the universal postage stamp collection held by the IB, which includes thousands of postage stamps issued by DOs since the 19th century. Furthermore, the remit of the programme also includes international reply coupons, which allow someone sending a letter to another country to pay for the postage for the reply in advance.

In 2019, training workshops were organized, including one in Tunis, Tunisia, from 16 to 18 April 2019, which was attended by 13 representatives of DOs. There was also a conference on the theme of "Innovation in the philately industry regarding the security of postage stamps", held in Wuhan, China (People's Rep.), on 14 June 2019. To raise visibility and connect with members, partners and the general public, the UPU hosted its own stand at the China 2019 international exhibition, in partnership with the United Nations Postal Administration, and also exhibited at Milanofil 2019 in Milan, Italy, on 22 and 23 March 2019.

Through these various activities, the UPU plays an important role in the preservation of knowledge on the history of the postal sector.





Corporate results

HUMAN RESOURCES REVIEW

As at 31 December 2019, the IB had 269 employees, including two elected officials. The majority of them were based at UPU headquarters in Berne, with seven staff serving as regional project coordinators in different parts of the world to facilitate technical cooperation. 42% of the staff was female, and a total of 63 nationalities were represented, up from 54 in 2012.

Regarding recruitment, 2019 was a year in which the IB made efforts to further improve both the gender balance in the professional and higher categories, and the speed of the overall processes. Moreover, with the aim of increasing the number of female staff, IB vacancy notices began to indicate that “applications from women are particularly encouraged”. A particular effort has also been made to reach qualified female candidates through social media. In addition, the IB has implemented a roster of qualified candidates for positions that are not subject to geographical representation.

In terms of appraisals, a mandatory performance evaluation has been introduced at the end of temporary appointments. This requirement must be satisfied before a renewal or a new temporary contract can be offered.

As for training, more than 465 opportunities were offered to staff for career development in 2019, and a total of 249 staff attended compulsory ethics training.

An interim audit by the Swiss Federal Audit Office (SFAO) in 2019 noted that the IB's DRH had improved its compliance and instituted greater accountability, including four-eyes reviews relating to salary processes in the organization's salary system. In 2020, the DRH planned to move to an electronic filing and knowledge-based information system for human resource records.

The rules governing staff absences on long-term sick leave were also reinforced, such that staff members granted continuous sick leave of 20 working days or more were required to present their medical reports to the UPU's Medical Adviser for review. In addition, for absences of 30 days or more, staff require clearance from the Union's Medical Adviser in order to resume work.

In addition, an improved travel process has been implemented, whereby IB directorates are held accountable for ensuring budget availability and completion of travel documentation before submission to the Director General for approval. This improvement has served to reduce the travel processing time and will also pave the way for the automation of the travel management process in 2021.

The collective health insurance policy for IB staff has been renewed for four years, covering the period from 2019 to 2022. With this renewal, the policy was upgraded to ensure full compliance with the standards of the Swiss Federal Law on Compulsory Healthcare (LAMal).

CORPORATE GOVERNANCE

The UPU has a robust corporate governance framework, encompassing audit, control and ethics functions and mechanisms.

EXTERNAL AUDIT

In 2019, various activities were conducted by the External Auditor. For instance, it confirmed that the 2018 consolidated financial statements were presented in conformity with the International Public Sector Accounting Standards (IPSAS), and that the accounting data published in the consolidated financial statements corresponded with the UPU accounts. Furthermore, follow-up carried out by the External Auditor showed that, thanks to the efforts by the IB to accelerate implementation, there were only six outstanding recommendations related to the audit of financial statements, in comparison with 12 in the follow-up in 2018.

INTERNAL AUDIT

As part of the general plan for 2018–2023, the 2019 audit programme was based on the last risk analysis (carried out in 2017). The programme focused primarily on the management of accounts receivable, financing of the Provident Scheme, and internal communications. The first two missions were conducted in the first half of the year. Additionally, the annual report was prepared and submitted to the CA.

JOINT INSPECTION UNIT

Together with 28 other organizations, the UPU helps to finance the UN Joint Inspection Unit (JIU), and thus benefits from independent system-wide evaluations, inspections and investigations. As it does every year, the JIU presented its work programme for 2019. Six system-wide projects were identified for the year. Follow-up on the implementation of recommendations, which is performed regularly, revealed that there were currently 28 outstanding recommendations. In 2019, the JIU already issued 24 new recommendations. This situation was presented to the Internal Audit Committee, which issued an opinion on the status of acceptance and implementation of recommendations. The JIU's web-based tracking system, used to track recommendations electronically, is now regularly updated to show the progress made in implementing recommendations.

INTERNAL CONTROL SYSTEM

At the UPU, the internal control system (ICS) is defined as a set of activities, methods and measures, as established by the CA and management, aimed at ensuring operational compliance.

Internal controls are not grouped into a separate ICS function; rather, they are integrated into daily processes. The ICS is implemented at all levels of the organization and requires a strong sense of responsibility on the part of all employees.

The UPU's ICS was formalized for the first time in 2013 and is now overseen by a dedicated programme in the Executive Office: the Governance and Internal Control Programme. On a regular basis, this programme runs a risk and control self-assessment (or oversight loop), during which the operational risks and controls of every directorate are reviewed.

In 2019, the IB organized briefing sessions for the designated points of contact in each directorate in order to update their annual assessments. The Governance and Internal Control Programme is currently analyzing the risk and control matrices updated by each directorate and unit. The analysis and recommendations were then provided to the General Management for further consideration and any remedial action.

ETHICS OFFICE

The Ethics Office is tasked with helping the DG to ensure that the staff of the IB act in accordance with their own missions and demonstrate the highest standards of competence and integrity as enshrined in the UN Charter, Staff Regulations and Rules, and Code of Conduct, by embedding a culture of ethics, transparency and accountability within the IB.

The Ethics Office may also intervene within the framework of administrative instructions 34 and 35, governing, respectively, "conflict resolution mechanisms related to discrimination, abuse of authority and harassment" and "protection of individuals who report misconduct and cooperate with duly authorized audits or investigations".

The 2019 ethics work plan addressed the following areas: telephone assistance service; review of administrative instructions; ethics training; and the publication and dissemination of ethics newsletters. Moreover, a training session on ethics in the procurement process was organized towards the end of the year.

FINANCIAL DECLARATION PROGRAMME

The UPU's annual Financial Declaration Programme (FDP) consists of asking a number of staff members to file a financial disclosure statement. The aim of this exercise is to define the conflicts of interest that staff may encounter and propose ways to resolve them. These conflicts may arise from their holdings (assets or investments) or activities. Measures to resolve these conflicts may include advising staff members to divest themselves of certain holdings, cease a particular activity, or give up a particular aspect of their official functions.

In 2019, the exercise concerned 57 staff members, from the DG to the members of the Tenders and Procurements Committee, as well as all other staff members with responsibilities involving potential conflicts of interest. The report did not identify any real conflicts of interest for the 2018 reporting period, and emphasized the considerable improvement made by the IB to the system and organization since the last exercise.

FINANCIAL STATEMENTS

In the long term, the main challenge for the UPU remains the need to service liabilities related to employee benefits of 281 million CHF (as at 31 December 2019). In the short term, the effects of the decades-long zero nominal growth rule applied to the regular budget continue to weigh on the organization's finances, weakening its overall revenue base. As a result, in 2019, the net result reached -4.9 million CHF, in spite of continued efforts to increase extrabudgetary funding as well as cost-containment measures.

These combined challenges (i.e. sizeable long-term liabilities and weakness of the revenue base) make the need for revenue growth a priority, regardless of any consolidating measures, all the more so because the demand for UPU services continues to grow. Indeed, the organization's main risks today still revolve around relevance and funding: with a total annual budget that is equivalent to less than 0.02% of the total operating revenues of DOs worldwide, the UPU would need a substantial increase in investment to respond in a timely manner to the needs expressed by its traditional stakeholders. Throughout 2019, several task forces within the CA looked more closely into this issue, with a view to drafting concrete proposals for consideration by the Abidjan Congress.

Statement I – Statement of financial position at 31 December 2019 (in CHF)*

ASSETS

Current assets	2019	2018
Cash and cash equivalents	42,461,675	52,731,083
Investments	50,229,628	38,797,813
Accounts receivable (non-exchange transactions)	26,068,385	25,311,500
Accounts receivable (exchange transactions)	25,256,520	9,222,092
Inventories	w180,220	196,326
Other current assets	5,569,854	4,188,901
Total current assets	149,766,282	130,447,715
Non-current assets		
Investments	66,683,128	69,346,428
Accounts receivable (non-exchange transactions)	157,256	469,828
Equipment	1,815,758	2,104,541
Intangible assets	884,177	503,637
Land and buildings	22,762,410	24,003,403
Other non-current assets	32,490	24,633
Total non-current assets	92,335,219	96,452,471
Total assets	242,101,501	226,900,186

LIABILITIES

Current liabilities		
Accounts payable and accrued expenses	25,064,834	11,684,891
Employee benefits	2,293,326	2,047,031
Deferred revenue	79,056,398	73,291,421
Advance receipts	83,877,579	86,718,417
Funds-in-trust held for translation services	7,490,490	7,214,116
Loans payable within one year	375,760	375,760
Provisions	150,000	452,000
Total current liabilities	198,308,386	181,783,635
Non-current liabilities		
Employee benefits	278,820,259	242,353,410
Loans payable after one year	–	362,988
Total non-current liabilities	278,820,259	242,716,398
Total liabilities	477,128,644	424,500,033

* Source: Financial Statements of the Universal Postal Union for 2019

Accumulated surplus (deficit) Union funds	-221,390,688	-190,878,915
Accumulated surplus (deficit) other funds	3,150,481	4,600,359
Accumulated surplus (deficit) controlled entities	-20,809,472	-15,466,116
Reserves	4,022,535	4,144,825
Net assets	-235,027,143	-197,599,848

Statement II – Statement of financial performance from 1 January to 31 December 2019 (in CHF)

	2019	2018
Revenue		
Assessed contributions of member countries	36,327,580	36,337,343
Other annual contributions	4,633,034	4,256,061
Voluntary contributions	13,382,917	13,625,275
Sales	13,165,267	13,521,034
Financial revenue	4,862,932	3,505,279
Exchange gains	1,027,836	1,874,666
Other revenue	1,186,585	1,154,123
Total revenue	74,586,151	74,273,780
Expenses		
Staff costs	49,333,746	47,488,128
Travel	1,422,732	1,217,870
Consultants and external contracts	4,418,758	3,508,509
Project costs	15,021,953	12,639,962
General operating expenses	1,350,101	1,634,325
Materials and supplies	347,972	842,452
Maintenance and repairs	1,701,113	1,483,400
Depreciations	2,283,623	1,941,893
Financial costs	1,036,352	601,695
Exchange losses	1,360,799	1,805,895
Other expenses	1,304,697	1,031,069
Total expenses	79,581,846	74,195,196
Net result	-4,995,694	78,584

Statement III – Overview of 2019 budget by programme*

	Regular budget (1 st pillar)	Extrabudgetary resources (2 nd pillar)	Extrabudgetary resources (3 rd pillar)	TOTAL (CHF)
Goal 1 – Improve the interoperability of network infrastructure				
1.1 – Quality of service	1,948,900	4,420,983	3,260,000	9,629,883
1.2 – Supply chain and security	1,167,260	0	925,000	2,092,260
1.3 – Accounting and operational processes	338,800	183,600	0	522,400
1.4 – Information and communication technologies	350,000	13,916,300	0	14,266,300
1.5 – Standards	307,200	0	0	307,200
Total goal 1	4,112,160	18,520,883	4,185,000	26,818,043
Goal 2 – Ensure sustainable and modern products				
2.1 – E-commerce and trade facilitation	505,200	0	0	505,200
2.2 – Financial inclusion and financial services	1,511,800	103,000	1,409,800	3,024,600
2.3 – Product and service diversification and harmonization	1,110,960	795,200	326,000	2,232,160
2.4 – Integrated remuneration	779,000	0	0	779,000
2.5 – E-services	427,700	597,900	0	1,025,600
Total goal 2	4,334,660	1,496,100	1,735,800	7,566,560
Goal 3 – Foster market and sector functioning				
3.1 – Universal service obligation	604,000	0	184,800	788,800
3.2 – Policy, regulation and strategy				
3.3 – Market and sectoral information	634,400	0	0	634,400
3.4 – Sustainable development	105,400	0	594,600	700,000
Total goal 3	1,343,800	0	779,400	2,123,200
Supporting lever – Development cooperation				
4.1 – Development and cooperation	5,857,280	0	304,000	6,161,280
Total Development cooperation	5,857,280	0	304,000	6,161,280
Functional support				
5.1 – Exec. Office, strategy and communications	3,838,140	0	80,000	3,918,140
5.2 – Finance	2,538,380	900,560	0	3,438,940
5.3 – Human resources	2,320,440	0	0	2,320,440
5.4 – Legal and compliance/governance	959,000	0	0	959,000
5.5 – Logistics	8,352,120	0	209,600	8,561,720
5.6 – Council secretariats and management	1,138,700	0	0	1,138,700
5.7 – Translation services	2,440,320	0	0	2,440,320
Total functional support	21,587,100	900,560	289,600	22,777,260
Grand total	37,235,000	20,917,543	7,293,800	65,446,343

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