



Annual Strategic Review 2018

Report by the Director General



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Message from the Director General

As a specialized agency of the United Nations, the Universal Postal Union (UPU) aims 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”. This mission statement is implemented through a four-year strategy which is approved by the UPU’s Congress, the plenipotentiary body of the organization.

The Istanbul World Postal Strategy 2017-2020 (IWPS) was thus finalized by the 26th UPU Congress in Istanbul, Turkey. Through 3 goals, 15 programmes, and 1 supporting lever, this strategy has contributed towards enhancing the role and relevance of the UPU and the development of the postal sector.

In order to monitor implementation of the IWPS, regular reports are presented to the UPU’s Council of Administration. In addition, a series of Annual Strategic Reviews are produced to provide a snapshot of the year’s achievements.

The present document constitutes the Annual Strategic Review for 2018. It comprises four main sections. The first highlights key facts and figures about the UPU and the postal sector, while the second outlines relevant factors affecting the UPU and its environment. Section 3 provides detailed information about the implementation of strategic goals in 2018, as well as the achievements by product. Finally, the section on corporate results summarizes key information on human resources, corporate governance and financial matters.

As the end of 2018 signals the mid-year mark of the Istanbul cycle, it is time to review the progress made so far and identify areas of improvement. In addition, it is hoped that through this report, external stakeholders will gain a better understanding of the UPU as an organization and its substantial impact on the postal sector.



Bishar A. Hussein
Director General of the
UPU International Bureau





Key facts and figures

Postal revenues*

All segments, in nominal terms

256 billion SDR

2016-2017: +4% 

Letters (share of total)

2007: 45.9%

2017: 38.7%

Parcels (share of total)


2007: 14.8%

2017: 24.9%


Postal traffic*

2017 figures
(billions of items)

Domestic letter post

309.9 (+0.33%) 


Domestic parcel post

13.7 (+8.56%) 

International letter post

3.6 (-5.23%) 

International parcel post

0.18 (+29.70%) 

Postal infrastructure*

Internal post offices

436,499

-0.58%

Outsourced post offices

231,946

-0.15%

Access to postal services

85.8%
of population receiving mail at home

Postal staff

5.26
million employees

-1.1%

* Percentages represent changes with respect to 2016.

Postal development

ZIPD RANKING FOR 2018

1. Switzerland
2. Netherlands
3. Japan



Products

Forum

Numerous **key events** organized per year, including the CEO Forum and World Postal Business Forum.

521 documents and **378** deliverables monitored and implemented by UPU bodies

160 hours of sessions

47 countries using UPU*Clearing

115 designated operators (DOs) in the terminal dues target system

Technical solutions

More than **2000** postal experts from **136** countries trained through UPU Trainpost

51 standards managed and used by DOs

More than **200** DOs use technical solutions provided by the Postal Technology Centre

Knowledge centre

22.9 BILLION tracking records and data elements captured since 2013

185 DOs exchanging EDI messages thanks to the UPU

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.

Key strategic aims (2017–2020 cycle):

Improve interoperability, postal products and market functioning

Stakeholders and regional presence

Membership

192 member states

60 countries represented in the Council of Administration and Postal Operations Council

14 members on the Consultative Committee

Delegations

600+ delegates attending semiannual sessions of the Council of Administration and Postal Operations Council

Regional presence

Headquarters in Berne

Seven Regional Project Coordinators

Resources

Staff

261 employees

43% female
57% male

60 nationalities

Budget

63 MILLION CHF per year (2018), of which 41% extrabudgetary

Structure

Two councils, five cooperatives and user-funded bodies



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The UPU and its environment

Trends and risks

Macroeconomic context

The years 2017 and 2018 brought strengthened global growth figures in comparison with 2016. Indeed, since the financial crisis, 2017 was the first year in which trade grew faster than GDP. Since trade has been a driver of economic growth in the recent past, its accelerated expansion was more than welcome.

However, the economic landscape for 2019 looks less bright, with a projected global GDP growth of 2.9%, according to projections from the World Bank. The rise of political uncertainty and signs of a potential crisis in investor sentiment have put the economic recovery at risk. These factors, and other spillovers, are likely to exert additional pressure on postal operators around the world, especially because of the procyclical nature of their businesses. According to the projections of the World Bank, GDP growth in 2018 (3.0%) was lower than in 2017 (3.1%). The expectations for 2019 are also lower, with the slowdown extending to 2020.

Yet, so far, all the key factors that underpin the activities of postal operators continue to expand. E-commerce sales are still growing at double-digit rates (+23% in 2018 according to Statista); connectivity is on the rise, with over half of the world's population online (51.2% according to the International Telecommunication Union); and remittance inflows are picking up again (+4.6% in 2018, according to the World Bank).

From a regional perspective, the Asia-Pacific region is still a powerhouse for global economic growth (6.6% in East Asia and Pacific, and 6.2% in South Asia in 2017) and is set to expand at around 6% annually in the coming years.

After reaching 2.3% in 2017, growth in industrialized economies is expected to enter a cooling down period, with rates below 2% by 2020. A similar slowdown is forecast to hit Europe and Central Asia, with growth rates dropping below 3% in 2019, down from 4% in 2017. By contrast, after years of subpar performance, growth in Latin America and the Caribbean is

expected to rebound to 1.7% in 2019, accelerating further to 2.4% in the following year. In the Arab region and in Sub-Saharan Africa, growth should also pick up in 2019 (1.9% and 3.4%, respectively) and 2020 (2.7% and 3.6%). International trade seemed to recover strongly in 2017, but new projections put the growth of worldwide trade volumes at 4.0% per year from 2018 through 2020.

Postal revenues

In this environment, postal operators are trying to adapt their business models, shifting their focus to parcels, logistics and financial services. Over the past decade, an ongoing major change has been the decreasing reliance on letter post as the main source of revenue, dropping from 45.9% of total revenues in 2007 to 38.7% in 2017. On average, increased revenues in parcels and logistics have substituted for that segment – a development that highlights the transformative nature of digitalization. Indeed, while the share in “other” and financial services has remained almost stable, total revenues from parcels and logistics have grown steadily every year, jumping from 14.8% to 24.9% within a decade.

However, this has not yet translated into increased revenues, as postal operators struggle to grow their turnover at the same rates as economic growth. Indeed, when comparing postal operating revenues in real terms to GDP, it is striking to note that, since 2007, the postal sector has been consistently underperforming the real economy. Moreover, the gap is, on average, widening: in the period from 2007 to 2017, the real economy grew an average of 3.3% per year, while real operating revenues grew at the much slower annual pace of 1.2%.

These numbers are at odds with the expansion observed in the 1996–2006 period, during which the real economy grew at 3.9%, the same growth rate as real postal operating revenues. As a result, the gap between the two indices has widened from less than 1% in 2006 to 21.5% in 2017.

This phenomenon of “postal decoupling” corroborates the findings of past research by the UPU, including the Postal Development Report,



which presented the Integrated Index for Postal Development (2IPD) and which highlighted the growing disparities in the postal sector, both between and within regions.

Postal infrastructure

For postal operators, this expansion in their activities is supported by one of the world's largest physical networks, encompassing 668,445 post offices and 5.26 million employees. Yet the capillarity of this network is not the same everywhere, revealing once more the gaps in postal development across countries.

Indeed, the number of sedentary post offices in the world (668,445) shrank slightly over the last decade: a decrease of 1.6% was estimated for the 2007–2017 period. In the Africa, Arab and Latin America regions, there was a considerable decrease of -19%, -13% and -17%, respectively. The decrease was smaller in Europe and the CIS (-5%) and in industrialized countries (-1%). In fact, Asia-Pacific constitutes the only region to have expanded its network of post offices (5%), mainly because of the considerable expansion of collection points in Indonesia. This region accounts for almost 50% of the global number of permanent post offices (India alone accounts for 23% of the global network of post offices).

Regarding postal staff, total employment by DOs worldwide has decreased over the past decade by almost 6%. The only region that resisted this trend was Asia-Pacific, where the number of total staff has grown by 5.34%. Comparing total employment in the six regions, DOs in industrialized countries employ around 2.44 million staff members. The second biggest region in terms of employment is Asia-Pacific, with 1.7 million, followed by Europe and the CIS, with 0.76 million staff. The remaining three regions combined account for only 6.8% of staff employed by DOs.

Postal development

As shown in the 2018 Postal Development Report (featuring the latest 2IPD ranking), there are still considerable gaps in postal development across the globe. So far, only a minority of countries have managed to build fully reliable, well-connected, relevant and resilient postal services. A systematic lack of investment in national postal infrastructure could be one of the main reasons for this.

A total of 173 countries were assessed for the production of the 2018 global ranking (which is based on full-year data for 2017). Switzerland, the Netherlands and Japan top the list, followed by Germany and France. These countries owe their high scores to consistently balanced performance across the four dimensions of the 2IPD, as they

have all managed to build reliable, well-connected, relevant and resilient postal services.

However, 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. Moreover, comparable benchmarks tend to indicate that postal operators are underperforming in comparison with other elements of national infrastructure. In spite of these challenges, within the various regions, some countries have achieved encouraging results: for example, Poland (score of 78.3, ranked 6th worldwide), Singapore (score of 78.2, ranked 7th), Nigeria (score of 50.9, ranked 51st), Brazil (score of 54.0, ranked 44th), and Tunisia (score of 51.9, ranked 49th).

The quantitative nature of the 2IPD makes it an ideal tool to study the postal sector's contribution to achieving the United Nations Sustainable Development Goals. Indeed, UPU research has revealed that the sector could have a high impact on socio-economic development. This should encourage governments, regulators and other stakeholders in the sector to step up investment and draft regulations and policies that level the playing field and boost this critical element of national infrastructure.

Multilateralism

Similar to what is happening in the postal sector, international organizations are also being affected by the major macroeconomic, societal and geopolitical trends. The General Debate of the 73rd United Nations General Assembly, held between 25 September and 1 October 2018, was one of the most well-attended in the organization's history: 193 member states addressed the Assembly, with the participation of 126 heads of state and government, five vice-presidents and 54 ministers. 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 (SDGs) 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 has a potentially high impact in areas associated with financial inclusion, digitalization and disaster-risk management (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 long-standing 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 consider withdrawing from the organization.

Organization

The UPU is an intergovernmental organization with 192 member countries that is mandated to ensure universal access to affordable public postal services of the highest standard. Established in 1874, it is considered the world's second-oldest international organization. Since 1948, the UPU has been a part of the United Nations family, 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 United Nations Sustainable Development Goals.

Through the IB, the UPU fulfils three main functions:

- **It is a unique forum** that builds consensus and convergence, bringing together governments, regulators and designated postal operators 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.

Director General and Deputy Director General

The IB is a central office operating at the UPU headquarters under the guidance of the Director General and the control of the Council of Administration (CA).¹ It serves as an organ of execution, support, liaison, information and consultation. The IB thus fully supports the UPU in fulfilling the functions highlighted above.

The Director General organizes, administers and directs the IB.² 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.

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

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 CA. This body consists of 41 member countries and meets semiannually at UPU headquarters in Berne. The CA supervises UPU activities and examines regulatory, administrative, legislative and legal issues.

The Postal Operations Council (POC) is the technical and operational mind of the UPU and consists 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 Article 20 of the Constitution.

2 Article 127 of the General Regulations.



Committees and cooperatives

In addition to these two main councils, smaller committees and cooperatives serve specific roles within the UPU. For example, the Consultative Committee represents 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 is headquartered in Berne, Switzerland. Regional project coordinators are in place to ensure technical cooperation in developing regions. Field offices are set up in every region (Western Europe, Southern Asia and Oceania, Africa, Eastern Europe and Northern Asia, and Western Hemisphere). As necessary, official missions to countries around the world are conducted by a wide range of IB experts.

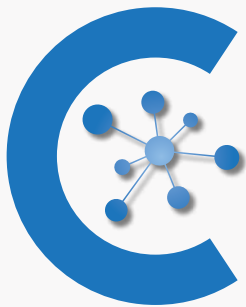
International Bureau

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

- **The Postal Operations Directorate (DOP)** is responsible for implementing all operational and technological 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, postal financial services and EMS. The DOP also provides secretariat services to the POC.
- **The Postal Technology Centre Directorate (DPTC)** is the operational arm of the Telematics Cooperative. It develops a range of technological applications and software solutions for UPU member countries. It manages three main activities from the technological perspective, namely POST*Net, the International Postal System and the International Financial System.

- **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, *inter alia*, regional development plans, multi-year integrated projects, integrated postal reform and 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 and direct marketing. The DPRM also provides secretariat services to the CA and the Consultative Committee.
- **The Executive Office Directorate (DIRCAB)** closely supports the Director General and the Deputy Director General in their duties as the organization's top two executives. It comprises four main areas: cabinet and council affairs; communication and events; research and strategy; as well as governance and management information systems.
- **The Logistics Directorate (DL)** is responsible for the maintenance and upkeep of UPU headquarters and the IB's technology and IT infrastructure. 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 and processing the UPU's financial transactions, including bills, salaries, pensions and other payments, as well as 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)** takes care of the day-to-day management of IB staff and organizes recruitment and training. It manages career paths, maintains relations with the Staff Association and implements staff regulations and policies.

In 2016, the Istanbul Congress adopted an ambitious strategy for the 2017–2020 cycle, inspired by the UPU’s mission and the UN Sustainable Development Goals. With three main goals (interoperability; modern and sustainable products; market and sector functioning) and one cross-cutting supporting lever (development cooperation), this new strategy was approved along with a business plan containing further details on expected outcomes, targets and financial resources required.



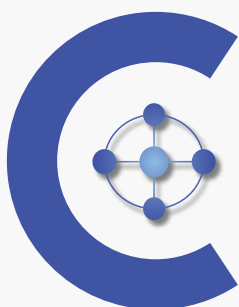
GOAL 1 – Improve the interoperability of network infrastructure

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 Istanbul World Postal Strategy 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 Posts 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

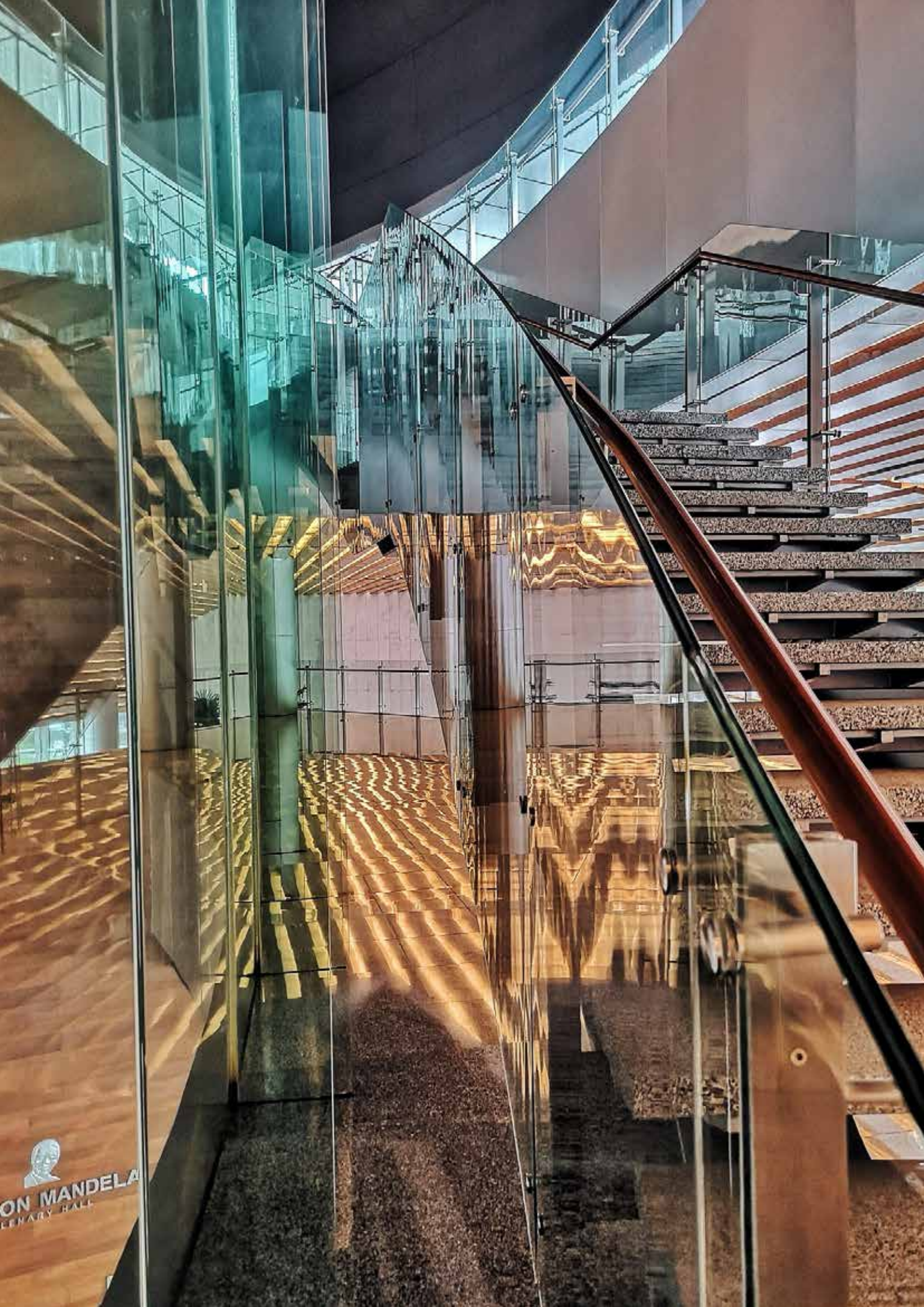
As an additional lever to the strategy, the development cooperation programme is a cross-cutting activity supporting all areas of the strategic goals, and promoting convergence in postal development – a critical aim for the postal sector.



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Tools

A number of tools are used to implement and monitor the strategy. These include the business plan, the strategy implementation report, the ZIPD 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 UPU'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 2018 CA sessions included updated key performance indicators and targets, overall budget information, and the estimated funding gap for the remainder of the cycle.

Strategy implementation report

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 Istanbul World Postal Strategy 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 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 of 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 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 CA and justify any delays. Any suggested removal, deferral or creation of deliverables is subject to plenary approval. 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 the strategy

Implementation of strategic goals in 2018

The strategic targets that apply to the different Congress resolutions and Istanbul Business Plan work pro-posals were approved at the first session of the CA in March/April 2017. These targets are monitored closely through the strategy implementation report, mentioned in section I, 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 2018, substantial progress was made towards achieving the targets set for this goal. For GMS, the objective related to measurement and reporting for legs 1 to 3 for physical postal products in international links was strongly exceeded, reaching 228 against a target of 15. With regard to supply chain and security, the results for 2018 suggest a marked increase in EDI activity between DOs and airlines. The target for operations and accounting was exceeded, and a growing number of DOs became members of the UPU*Clearing group. Targets for ICT and standards were met, and even exceeded in some cases.

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.

E-commerce targets for 2018 relating to the exchange of ECOMPRO parcels were exceeded, with 127 DOs exchanging such items against a target of 65. Similarly, work relating to financial inclusion and financial services was completed on time, with an increased number of members using the UPU PosTransfer trademark. For the programme related to product and service diversification and harmonization, more than 146 (versus 110) DOs trained on recent physical product developments. Most targets related to integrated remuneration and e-services were met in 2018, with some targets exceeded, such as the percentage of postal operators providing e-services.

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 foster market and sector functioning.

Most objectives related to the USO and policy, regulation and strategy were met or exceeded, with the number of countries defining the USO in national regulations increasing to 160 in 2018. For the programme on market and sectoral information, most objectives were also exceeded. For example, while only 50 countries were expected to access at least one UPU big data analytics product, 54 countries have already signalled their interest in doing so. In addition, there were 11,197 references to UPU market research publications and postal data, above the target of 6,000 references. Similarly, a number of targets were surpassed in the area of sustainable development. For instance, while only three countries were expected to benefit from technical assistance for the measurement and reduction of carbon emissions, 23 had already received such assistance by the end of 2018.

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.

It was expected that 48% of the cycle's development cooperation activities in the field of operational readiness for e-commerce would be implemented by the end of 2018. This target was exceeded, with 52% of planned activities implemented.

Overall, these results show that the focus of the UPU's development cooperation activities is increasingly shifting towards supporting national postal operators in their attempts to operate efficiently in the new environment brought about by the growth of e-commerce.

Achievements by product

Forum

Events

CEO Forum

The 2018 edition of the UPU World CEO Forum was held in Istanbul, Turkey, on 9 and 10 May. It was the third time that the postal industry's leading figures had met to reflect on its future.

The first edition of the event, held in Paris in 2016, saw the participation of over 50 CEOs. The first event of its kind, it brought together prestigious speakers and participants from postal operators, academia and beyond. They delved into several crucial topics for the industry, such as the profitability of e-commerce, the relationship between postal operators and e-retailers, the opportunities presented by postal financial services in the digital era, and the transformational role of big data for postal operators.



In 2017, the forum was held in Moscow and focused on the strategy development process, from diagnosing the current state of the global economy and postal markets to examining successful business models for meeting the needs of the key stakeholders of postal operators.

The 2018 CEO Forum in Istanbul followed in the footsteps of the two previous editions, both in terms of attendance and content. Over two days, the forum participants deliberated on the theme “Postal digital dividends: A new portfolio, better performance or a redefined mission?”.

There were many interesting takeaways from the forum. CEOs found that, by banking on the trust they have historically enjoyed, postal operators can meet the dual challenge of balancing their social role with the need to increase profitability. However, this requires changing the culture of the Post to make it more competitive and innovative, exploring partnerships, and embracing digitalization as an empowering element.

Participants also agreed that there is no single ideal postal portfolio to fit all scenarios, concluding that postal operators need to take advantage of the opportunities offered by the existing physical network and by digitalization, as well as by a combination of the two. Participants also pointed out that the changing needs of customers should be the central driver for carefully planned diversification. Lastly, they noted that the chosen portfolio must be flexible enough to adapt to future innovations in areas such as 3D printing and the Internet of Things, and the increased use of big data.

Another key message was that, in order to keep up with the changing preferences of customers, postal operators must first identify customers’ needs and then improve the efficiency of the supply chain to meet those needs. To that end, more partnerships with traditional counterparts and innovative players are needed. Participants also concluded that postal operators and their governments must seriously reconsider the definition of the universal service obligation in today’s world, and should make the most of the advantages offered by collaboration and diversification.

Furthermore, CEOs highlighted that a critical factor for their organizations’ success is to ensure that their employees are more proactive at all levels. Participants agreed that changing the organizational culture would be an uphill task, made possible only through training and

capacity building, and with the full commitment of management towards a specific strategic direction.

Last but not least, CEOs reiterated that it is imperative that governments recognize the importance of postal operators as their natural partners in the area of development. Government support and a regulatory environment open to innovation are seen as the key to the success of postal operators, both in terms of public service and profitability.

As all past editions have shown, the UPU World CEO Forum offers postal sector leaders the chance to get together and examine the future of their businesses in a collaborative manner. As the intergovernmental organization responsible for the postal sector, the UPU stands ready to support CEOs in their quest to transform the sector.

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.

The UPU celebrated the 2018 edition at its headquarters in Berne. The event brought together guests from the postal sector, diplomatic corps and Swiss Confederation.

Faithful to its mission, the UPU chose two main highlights for the World Post Day celebrations. Firstly, it recognized the top-ranked countries in the 2IPD. The 2018 event recognized the year’s global top three (Switzerland, Netherlands and Japan) and the regional champions (Brazil, Nigeria, Poland, Singapore and Tunisia), based on the data from 2017. In addition, the winner of the UPU’s 47th International Letter-Writing Competition for Young People was announced. Thirteen-year-old Chara Phoka, from Cyprus, wrote a poignant letter about the brutality of conflict and migrant smuggling depicted by a letter travelling through time.

In a special message to the UPU, Mr Guterres indicated that the postal network, “through its international treaties and emphasis on universal service, is a constant voice for multilateralism and force for the 2030 Agenda for Sustainable Development.”



Second Extraordinary Congress

The second Extraordinary Congress in the UPU's 145-year history was held in Addis Ababa, Ethiopia, from 3 to 7 September 2018. The Congress discussed five key topics, namely the implementation of the UPU's Integrated Product Plan and Integrated Remuneration Plan, reform of the UPU, reform of the system applied to contributions by UPU member countries, and the sustainability of the UPU Provident Scheme.

The Extraordinary Congress achieved consensus on organizational reform, and took steps to ensure more equitable representation of member countries in its governing councils. In addition, Congress agreed on the adjustment of contribution classes to better accommodate small island developing states (SIDS) with a population of under 200,000. Most other topics were deferred for further discussion before the 2020 Congress.

In addition, a high-level Ministerial Strategy Conference was held on 6 and 7 September 2018, as part of the Extraordinary Congress. Over 30 ministers and heads of international organizations took part, delving into the question of how to promote socio-economic development through the postal sector. The discussions constituted a milestone on the road to building a comprehensive agenda for the sector, to be achieved by 2030.

Secretariat

Council of Administration

The UPU CA held its first semiannual session of the year in Berne from 23 to 27 April 2018. Key topics included the following:

- Reduction of the guarantee threshold from 85% to 80%, in conjunction with measures to restore the credibility of the Union's guarantee;
- Establishment of formal relations between the UPU and the Fédération Internationale de Football Association (FIFA) as part of its efforts to develop its participation in World Association for the Development of Philately activities in the area of philately;
- Extraterritorial offices of exchange (ETOE), including a summary of the results of the 2017 survey on ETOEs, which provides the latest information on national policy and legislation regarding the establishment of ETOEs and treatment of ETOE items in member countries;
- Main 2018 results for ZIPD (global top three and regional scores);

- First call for projects for the Financial Inclusion Technical Assistance Facility (FITAF);
- Recommendations on reform of the Union, including proposals to be presented to the second Extraordinary Congress;
- Systematic formulation of country action plans for important projects, with clear performance indicators and consistent implementation processes; and
- Creation of a network of experts by region, with the active participation of the UPU regional project coordinators.

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

- Draft programme and budget for 2019, setting the amount of the contribution unit at 43,526 CHF per unit for a total of 830.5 units;
- Finalization of legal, operational and pricing conditions for the provision of access to segments of the postal supply chain – customs authorities and airlines – in order for a complete package to be provided for approval;
- Four-step process for the development of the future strategy;
- Results of the UPU trade facilitation pilot projects in Tunisia and Morocco;
- Creation of a task force to study the need for and functions of a permanent mid-term Congress;
- Disaster risk management certification process; and
- Signing of a cooperation agreement between the UPU and UNI Global Union as part of efforts to strengthen formal cooperation on training and sustainability projects between the two organizations.





Postal Operations Council

The first POC session of 2018 was held from 16 to 20 April. Key topics covered included the following:

- Creation of the UPU–Rail Contact Committee, of the draft terms of reference for that body, and of the nominated members;
- Minimum specifications for physical products (parcels, small packets and ECOMPRO);
- Minimum performance requirements for the 2019 inward land rates (ILRs) for parcels;
- New UPU quality of service certification methodology for 2017–2020;
- Granting of status 5 to standards M14 and M17 and status 2 to standard S56;
- Signature of the agreement between the UPU and the International Narcotics Control Board; and
- Amendments to the IATA–UPU framework for a service agreement.

The POC held its second session in Berne from 15 to 19 October 2018. Key topics discussed included:

- Creation of the UPU–Rail Contact Committee, of the draft terms of reference for that body, and of the nominated members;
- Establishment of a task force to study arbitration and remailing in the terminal dues system with a view to proposing any relevant recommendations by S5;
- Alignment of the Quality of Service Fund (QSF) Project Management Manual and Financial Management Manual stemming from the adoption of the QSF Common Fund model;
- Presentation of S42 addressing standard recognition awards to Malawi, Mongolia and Uruguay (Bermuda, Bosnia and Herzegovina, and Myanmar also qualified for awards, but were unable to attend the ceremony); and
- Presentation of gold medal certificates to Slovakia, Turkey and Uruguay, which submitted the winning entries in their respective groups for the stamp-issuing authorities of UPU member countries and territories at the MACAO 2018 35th Asian International Stamp Exhibition (21 to 24 September 2018).

Settlement mechanisms

UPU*Clearing

UPU*Clearing is an efficient and 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 more than 170 million SDR processed in 2018 alone, the system is used by 48 member countries worldwide. It witnessed a 67% increase in transactions between 2013 and 2017. According to recent surveys, 96.4% of members are satisfied with UPU*Clearing.

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 with each other. In this regard, it aims to implement a more integrated approach to remuneration aspects and research activities across the full range of postal services with a view to modernizing and integrating the system.

In order to achieve this objective, an integrated remuneration plan proposal was discussed at the 2018 Extraordinary Congress. The number of DOs in the target system for terminal dues increased to 115 in 2018. A growing number of DOs notify the IB of their domestic tariffs, ECOMPRO rates and other key information. A total of 22 DOs also achieved all ILR bonuses in 2018.

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 Development and Cooperation Directorate manages and implements technical cooperation and is involved in the design and development of UPU policy.

In 2017–2018, as part of the development cooperation programme, 112 projects of regional, interregional or national scope were launched and 302 cooperation activities (seminars, group and individual training sessions, on-site consultancy missions, equipment purchases, etc.) were carried out, 92 of which stemmed from projects targeting the main area of intervention, namely, the improvement of operational efficiency and the development of e-commerce (Operational Readiness for E-commerce – ORE projects).

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 and that promote greater accountability on the part of beneficiary countries.

Projects targeting the main area of intervention of improved operational efficiency and the development of e-commerce (ORE projects) are under way in all regions. The goal is to help DOs to 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. By 2018, 146 DOs from developing countries were participating in the ORE project.

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 in least developed countries, modernization of the current Trainpost platform, and strengthening of the role played by restricted unions in regional training centre activities.

In 2018, 56 Trainpost certificates were issued for the completion of security training modules, far exceeding the target of five. In addition, four staff were trained through the module on disaster risk management.

IT solutions

Postal Technology Centre solutions for countries

Operating under the auspices of the UPU POC, the Telematics Cooperative was established to develop the UPU's telematics activities and operations. Particularly through its Postal Technology Centre (PTC) as a dedicated unit for telematics activities, the UPU IB, under the supervision of its Director General, acts as an organ of execution, support, liaison, information and consultation.

The mission of the Telematics Cooperative is to ensure and enhance the capabilities of postal organizations to exchange electronic information, improve operational efficiency and quality, and create electronic postal services (e-services) by developing, maintaining and operating state-of-the-art UPU ICT solutions and electronic postal ICT infrastructure, usable by and affordable to all countries. It consults with members and determines directions in matters of technology and related operational issues. The Telematics Cooperative also provides consulting services to ensure the use of ICT best practices, in combination with efficient organizational and operational processes.

The various product areas of the PTC include:

- The International Postal System, an integrated international mail management application that combines mail processing, operational management and EDI messaging in one application;
- The International Financial System, 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 ICT 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, through which 23 users captured, transmitted and processed cus-toms data in 2018.

The number of countries (DOs) using the latest versions of tracking systems (IPS, IPS.post, IPS Cloud) increased from 60 in 2016 to 122 in 2018. The introduction of these systems by 62 new DOs facilitates the efficient processing and management of international mail flows, increases transparency with regard to operational performance, and fosters clear accountability throughout the mail process.

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 2018, 10.7% of active standards (with a status less than 2) moved to a different status within the standards approval process. In addition, 100% of proposals for standardization were treated within three months of formal submission to the body responsible for handling 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 is of interest to governments, regulators and DOs. The UPU is specialized in two types of analytical data: postal big data and postal statistics.

Postal big data

Postal big data results from EDI among members. 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 in real time communicate 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 ZIPD, which is the first tool for comprehensively measuring postal development.

Postal statistics

The postal statistics compiled by the UPU 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); they 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. Data sheets are available for 194 countries and territories in 2018, 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, which is issued on a yearly basis.

The rich combination of available data allows the UPU to undertake 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.

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, United Nations 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, and for the second year in a row, 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, the UPU studies the postal sector's contribution to the achievement of the UN Sustainable Development Goals. This research draws on the quantitative side of the ZIPD as well as qualitative case studies, and as indicated in a previous section, reveals that the sector has a potentially high impact on Goals 8, 9, 11 and 17 of the Sustainable Development Goals.

Collaborations

A number of collaborations are ongoing with the UN and other international organizations.

Postal financial inclusion (UNCDF and IOM)

Following the first call for FITAF projects in February 2018 and a comprehensive review of submissions, FITAF support has been approved for seven projects, three of which are feasibility studies and four are implementation projects. These projects are expected to reach 800,000 individuals and small businesses

The UPU has been working closely with the United Nations Capital Development Fund (UNCDF), another UN agency focused on financial inclusion, to leverage technical and financial synergies between the two organizations. For instance, the UPU and UNCDF have collaborated to support postal operators in Myanmar, the Solomon Islands and Zambia.

In addition, progress has been made on the joint UPU and International Organization for Migration (IOM) project in Burundi. The domestic money transfer service called "Rungika" (based on IFS domestic) is live, active and available to clients in remote areas across the country. Marketing activities for Rungika, including road shows and radio and TV spots, have been rolled out with the support of the IOM Burundi office. Financial education activities have reached more than 200 individuals, mainly women in rural areas, who benefited from training that aims to equip target beneficiaries with skills and knowledge in money management and budgeting, bank accounts, savings, investing and credit, thus ensuring improved financial inclusion of rural populations.

Measurement of e-commerce development (UNCTAD)

For several years, the UPU has been cooperating with the United Nations Conference on Trade and Development (UNCTAD) in a series of efforts aimed at improving the measurement of e-commerce from a development perspective.

The UPU, through its wealth of postal data, can play a key role in generating the insights that will improve estimates of the true impact of e-commerce. For instance, the UPU provides postal reliability scores, which form one of the four critical components of UNCTAD's e-commerce index.

Measurement of e-commerce flows (ICAO and WCO)

In its research collaboration with the International Civil Aviation Organization (ICAO) and the World Customs Organization (WCO), the UPU has been studying postal e-commerce flows that are transported through Customs and via airlines. The goal is to help improve the overall efficiency of global supply chains, by optimizing transportation capacity and shortening customs clearance procedures.

Measurement of international (official) e-commerce statistics (OECD, WTO and UNCTAD)

The UPU has joined forces with the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD) and UNCTAD in an effort to establish a framework for official international trade statistics, encompassing indicators associated with e-commerce and the digital economy.

Philately

An estimated 17 million private and business subscribers buy new issues in general or for their specific thematic interest, or customize their postage stamps online.

The UPU philately programme performs various functions. Among other things, it 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 Numbering System (WNS), a register of all official postage stamps issued by its 188 members.



Corporate results

HR review

The IB has 261 employees, consisting of two elected officials, 138 core, and 121 non-core staff. The majority of employees are based at UPU headquarters in Berne, with seven staff serving as regional project coordinators in different parts of the world to facilitate technical cooperation.

In terms of training, more than 465 opportunities were offered to staff for career development in 2018, including compulsory ethics training for 249 staff. With regard to the IB itself, the percentage of women in the P and higher categories increased by 11% for core staff, while it stayed at the same level for non-core staff over the previous three years (2016 to 2018). An increase has also been witnessed in the number of different nationalities, which rose from 54 in 2012 to 60 in 2018. Gender and geographic diversity are thus encouraged.

In order to streamline the IB and increase its efficiency, the IB Staff Regulations were updated and approved by the Council of Administration in 2015 for the first time in many decades. The guiding principles for the amendments were cost effectiveness, better performance and accountability. The new regulations have brought the IB into line with modern human resource standards.

Corporate governance

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

External audit

During the period under review, the External Auditor conducted various missions relating to the UPU, in particular the audit of the 2018 financial statements. In addition, IT controls were carried out and included in the report presented to the CA. It is noted that the External Auditor examined continuity of operation. In terms of the implementation of outstanding recommendations, the follow-up carried out by the External Auditor showed that owing to the efforts made by the IB, only six outstanding recommendations remained, in comparison with 12 in 2017.

Internal audit

Following a call for tenders, which was launched in 2017 and concluded in early 2018, the Director General, on the recommendation of the Tenders and Procurements Committee, selected BDO to fulfil the internal audit mandate for a six-year period (2018–2023). Following the signature of the contract with BDO, work began quickly in order to plan the missions for 2018 and for the next six years, resulting in around 20 planned audits. The 2018 audit programme was validated by the Director General and focused primarily on human resources management, consisting of the payroll system, business continuity management in the payroll process, and monitoring of projects and programmes.

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 2018 and identified a total of 11 projects for the year. Furthermore, according to the JIU's 2017 annual activity report, the UPU is one of the top four organizations in terms of recommendation acceptance and implementation in the United Nations system for the 2009–2016 period. The JIU's Web-Based Tracking System (WBTS), used to electronically track recommendations, is now regularly updated to show the progress made in implementing recommendations.

Internal control system

At the UPU, the internal control system (ICS) is 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 from all employees.

Regularly, the programme in-charge of overseeing the ICS runs an oversight loop, during which the financially relevant processes, risks and controls of every directorate are reviewed.

The ICS was formalized for the first time in 2013 and is now overseen by a dedicated programme in the Executive Office.

Ethics Office

The Ethics Office is tasked with helping the Director General to ensure that the staff of the UPU IB act in accordance with their own missions and demonstrate the highest standards of competence and integrity as enshrined in the United Nations 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, respectively governing "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".

Following a tender process, PwC was appointed as ethics partner for 2018–2021 to provide services linked to ethics, involving the role of Ethics Officer, ethics awareness training, and the revision and possible adjustment of the ethics regulations. In 2018, the internal directives (administrative instructions) on ethics-related subjects were reviewed and two ethics newsletters were published. In addition, a total of 13 training sessions on ethics were held and attended by 215 staff members.

Financial declaration programme

The UPU's primary aim, in asking the staff members concerned to file a financial disclosure statement, 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 June 2018, the IB, in conjunction with PwC, organized the annual financial disclosure exercise. This exercise affected 54 officials, from the Director General to the members of the Tenders and Procurements Committee.

Financial statements

In the long term, the main challenge is in servicing liabilities related to employee benefits of 242.35 million CHF.

These combined challenges make the need for revenue growth a priority, regardless of any consolidating measures. It is observed through a reconciliation exercise between the formal budget and the net result that the financial resources required to implement the Istanbul Business Plan need to be considered in a comprehensive manner, taking into account not only the operational budgets expressed in the Programme and Budget (P&B), but also other factors on which the financial balance of the UPU depend. From this perspective, funding remains an issue, in spite of significant efforts made in order to make savings in those expenses covered in the P&B.

To address these challenges, member countries, with the support of the IB's General Management, have launched a series of initiatives, leading to proposals considered by the 2018 Extraordinary Congress. These include measures to reform the system applied to contributions by Union member countries as well as new methods for funding the Provident Scheme.



Statement I – Statement of financial position at 31 December 2018 (in CHF)

	2018	2017*
Assets		
Current assets		
Cash and cash equivalents	52,731,083	48,589,640
Investments	38,797,813	100,534,253
Accounts receivable (non-exchange transactions)	25,311,500	24,947,596
Accounts receivable (exchange transactions)	9,222,092	31,741,869
Inventories	196,326	192,580
Other current assets	4,188,901	2,896,771
Total current assets	130,447,715	208,902,708
Non-current assets		
Investments	69,346,428	2,445,000
Accounts receivable (non-exchange transactions)	469,828	234,747
Equipment	2,104,541	1,855,820
Intangible assets	503,637	370,372
Land and buildings	24,003,403	25,285,652
Other non-current assets	24,633	25,500
Total non-current assets	96,452,471	30,217,092
Total assets	226,900,186	239,119,800
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	11,684,891	31,801,138
Employee benefits	2,047,031	1,918,905
Deferred revenue	73,291,421	74,697,127
Advance receipts	86,718,417	81,431,404
Funds-in-trust held for translation services	7,214,116	7,130,847
Loans payable within one year	375,760	375,760
Provisions	452,000	2,556,000
Total current liabilities	181,783,635	199,911,181
Non-current liabilities		
Employee benefits	242,353,410	229,814,817
Loans payable after one year	362,988	726,077
Total non-current liabilities	242,716,398	230,540,894
Total liabilities	424,500,033	430,452,076

* Restated.

Accumulated surplus (deficit) Union funds	-190,878,915	-180,699,819
Accumulated surplus (deficit) other funds	4,600,359	2,645,303
Accumulated surplus (deficit) controlled entities	-15,466,116	-17,473,740
Reserves	4,144,825	4,195,980
Net assets	-197,599,848	-191,332,276

Statement II – Statement of financial performance from 1 January to 31 December 2018 (in CHF)

2018

2017*

Revenue		
Assessed contributions of member countries	36,337,343	36,346,343
Other annual contributions	4,256,061	4,509,786
Voluntary contributions	13,625,275	11,894,025
Sales	13,521,034	11,006,597
Financial revenue	3,505,279	1,774,618
Exchange gains	1,874,666	1,115,909
Other revenue	1,154,123	1,087,347
Total revenue	74,273,780	67,734,624
Expenses		
Staff costs	47,488,128	47,021,959
Travel	1,217,870	992,233
Consultants and external contracts	3,508,509	3,864,422
Project costs	12,639,962	11,670,055
General operating expenses	1,634,325	1,474,693
Materials and supplies	842,452	666,975
Maintenance and repairs	1,483,400	1,607,201
Depreciations	1,941,893	1,881,131
Financial costs	601,695	3,010,927
Exchange losses	1,805,895	1,162,080
Other expenses	1,031,069	3,262,593
Total expenses	74,195,196	76,614,269
Net result	78,584	-8,879,645

* Restated.

Statement III – Overview of 2018 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	2,014,600	3,402,100	5,141,500	10,558,200
1.2 – Supply chain and security	1,179,960	0	1,283,400	2,463,360
1.3 – Accounting and operational processes	338,800	180,200	0	519,000
1.4 – Information and communication technologies	450,000	11,042,900	0	11,492,900
1.5 – Standards	332,200	0	0	332,200
Total goal 1	4,315,560	14,625,200	6,424,900	25,365,660
Goal 2 – Ensure sustainable and modern products				
2.1 – E-commerce and trade facilitation	654,300	0	0	654,300
2.2 – Financial inclusion and financial services	1,155,100	103,000	711,000	1,969,100
2.3 – Product and service diversification and harmonization	1,121,760	952,400	329,600	2,403,760
2.4 – Integrated remuneration	766,600	0	0	766,600
2.5 – E-services	454,200	726,800	25,000	1,206,000
Total goal 2	4,151,960	1,782,200	1,065,600	6,999,760
Goal 3 – Foster market and sector functioning				
3.1 – Universal service obligation	588,750	0	0	588,750
3.2 – Policy, regulation and strategy				
3.3 – Market and sectoral information	634,400	0	0	634,400
3.4 – Sustainable development	107,400	0	554,600	662,000
Total goal 3	1,330,550	0	554,600	1,885,150
Supporting lever – Development cooperation				
4.1 – Development and cooperation	5,784,080	0	423,000	6,207,080
Total Development cooperation	5,784,080	0	423,000	6,207,080
Functional support				
5.1 – Exec. Office, strategy and communications	3,813,980	0	80,000	3,893,980
5.2 – Finance	2,240,000	892,640	0	3,132,640
5.3 – Human resources	2,375,610	0	0	2,375,610
5.4 – Legal and compliance/governance	955,600	0	0	955,600
5.5 – Logistics	8,719,000	0	207,200	8,926,200
5.6 – Council secretariats and management	1,064,300	0	184,800	1,249,100
5.7 – Translation services	2,484,360	0	0	2,484,360
Total functional support	21,652,850	892,640	472,000	23,017,490
Grand total	37,235,000	17,300,040	8,940,100	63,475,140

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