

# Annual Strategic Review 2017

Summary report



UPU

UNIVERSAL  
POSTAL  
UNION



# Table of contents

Message from the Director General	5
Key facts and figures	7
The postal sector	7
The UPU	8
The UPU and its environment	11
Trends and risks	11
Organization	13
Strategy	16
Implementation of the strategy	21
Achievements of the past cycle (2013-2016)	21
Achievements in 2017	22
Achievements by product	23
Corporate results	33
HR review	33
Corporate governance	33
Financial statements	36





# Message from the Director General

In 2012, at the Doha Congress, the member countries of the Universal Postal Union agreed on a comprehensive agenda for the 2013–2016 period.

Against the backdrop of challenging times in the postal sector and in the wider world economy, implementation would prove to be even more challenging in the context of subsequent decisions to reduce the organization's regular budget. The UPU's International Bureau (IB) thus started the cycle with significant constraints that threatened the fulfilment of the mandate that it had received from the Doha Congress.

Yet, in 2016, the mission had been accomplished with all the goals met. This success required a tremendous effort by the IB, including restructurings and rationalization measures in many areas. The IB had to find inventive ways to do more with less, improving governance, processes and internal rules while making the most of information and communication technologies.

With the approval of the Istanbul World Postal Strategy (IWPS) at the Istanbul Congress in 2016, the UPU set yet another ambitious agenda for the ensuing cycle.

The purpose of this report is to describe how the UPU steered its way through 2017, the first year of the Istanbul cycle (2017–2020), always conscious of the financial challenges faced by the organization and the interest of serving member countries, the postal sector and the wider world economy.

Obviously, not all challenges have disappeared, as funding shortages and long-term liabilities continue to weigh on the organization's ability to implement an ambitious agenda by 2020. Nonetheless, thanks to the work done in the previous cycle, a good basis already exists for building a fully innovative, integrated and inclusive organization by 2020.

This report comprises three main sections. The first section provides an overview of the key trends and risks faced by the postal sector and examines the role and strategy of the UPU. The second section begins with a snapshot of the achievements of the Doha cycle, followed by details on the work carried out in 2017 to implement the Istanbul World Postal Strategy. Finally, the third section explains the corporate governance, human resources and financial mechanisms currently in place to support the work of the IB.

As this report will illustrate, the UPU remains more than ever a relevant organization that is accompanying governments, regulators, postal operators and other key stakeholders in these challenging but also promising times for the postal sector and the wider world economy. It is an organization worth investing in.



Bishar A. Hussein  
Director General of the  
UPU International Bureau



# Key facts and figures

## Postal revenues\*

All segments, in nominal terms

**246.3 billion SDR**

+1.1% 



Letters (share of total)  
2016: 38.9%




Parcels (share of total)  
2016: 22.8%

## Postal traffic\*

2016 figures  
(millions of items)



Domestic letter post  
299,466 (-3.1%) 

Domestic parcel post  
8,838 (+12.5%) 



International letter post  
3,763 (+4.7%) 

International parcel post  
112 (+4.5%) 

## Postal infrastructure\*

Internal post offices

**438,182**

+1.6%

Outsourced post offices

**239,163**

-2.6%

Access to postal services

**80.4%**  
of population receiving mail at home

Postal staff

**5.32**  
million employees

-0.4%

\* Percentages represent changes with respect to 2015.

# Postal development

ZIPD RANKING FOR 2018

1. Switzerland
2. Netherlands
3. Japan



## Products



### Forum

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

**666** documents and **402** deliverables monitored and implemented by the UPU bodies

**160** hours of sessions

**45** countries using UPU\*Clearing

**74** designated operators (DOs) in the terminal dues target system

### Technical solutions

**18,072** postal experts trained through UPU Trainpost

More than **47** standards managed and used by DOs

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

### Knowledge centre

**5.1 BILLION** tracking records and data elements captured every year

**160** DOs exchanging EDI messages thanks to the UPU

**Numerous** flagship publications on the state of the postal sector





## Key strategic aims:

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

**13** members on the Consultative Committee

### Delegations

**600+** delegates attended the semiannual sessions of the Council of Administration and Postal Operations Council in 2017

### Regional presence

Headquarters in Berne

Seven regional offices with project coordinators

## Resources

### Staff

**266** employees

**43%** female  
**57%** male

**61** nationalities

### Budget

**63 MILLION CHF**  
per year, of which  
**41%** extrabudgetary

### Structure

Two councils,  
five cooperatives and  
user-funded bodies





# The UPU and its environment

## Trends and risks

### Macroeconomic context

After years of subpar growth in the aftermath of the global financial crisis, global gross domestic product (GDP) and trade are solidly back on track. After reaching 3.2% in 2016 (in purchasing power parity – PPP), slightly less than the 3.4% attained in 2015, global output grew at a rate of 3.7% in 2017 and is projected to remain at roughly the same level in 2018.<sup>1</sup>

Similar positive observations have also been made for the evolution of trade. Real exports increased by 5% in 2017. Still, as far as trade goes, there is not a clear return to pre-crisis growth figures. Growth figures for exports previously tended to be double digit, whereas the current trade-to-GDP ratio is seemingly constant at 56%. The slowdown in growth rates (exports grew at 11.9% in 2000) might be expected to continue in the light of protectionist forces at play, which have led to tariff hikes between groups of countries. This makes most predictions on future growth levels pessimistic.

In a regional context, the Asia-Pacific region is still a major powerhouse for global economic growth. It showed the strongest growth rate in real GDP (PPP) in 2017 at 6.2%. In addition, it has improved its living standards more than any other region over the past 20 years (taking 1996 as the base level). Its real output index of 491 has been achieved, at least in part, through an export-led economic growth strategy. In terms of exports, the region grew at a rate of 3.9% in 2017, equating to a total of 5.5 trillion USD (in constant prices).

The Arab region currently faces some growth challenges. In 2017, real GDP grew at 1.4%, well below the world average of 3.7%. The slowdown might be due to low fuel prices and modest annual export growth of 2% in 2017. The situation in Latin America and the Caribbean is also one of slow growth. Real GDP growth stands at 1.7%, less than half the global average. Meanwhile, growth in industrialized countries is picking up again: with a real GDP growth figure of 2.2%, 2017 was a

positive year. Exports are also up, hitting 3.2%. The Europe and CIS region is growing quickly: real GDP grew at 3.7% supported by strong exports, which now account for more than 2 trillion USD. In Africa, export growth appears to be slowing down in real terms, from double digits before the crisis (11.5% in 2005) to 2.1% in 2017.

As global GDP growth continues, access to the Internet continues to expand. Indeed, the Internet is becoming ever more pervasive and a key factor in transforming the way the world economy functions, affecting a range of elements from consumer behaviour to the production and distribution of goods and services. According to the latest estimates by the International Telecommunication Union (ITU), global Internet penetration stood at 46% in 2017. The figure is highly heterogeneous both within and between regions. In industrialized countries, 85% of the active population is connected to the Internet. Europe and CIS and Latin America and the Caribbean also have high connectivity rates of 66% and 57% respectively. The average rate in the Arab region is 48%, versus 41% in the Asia-Pacific region. While not as well connected as other regions, Africa's access to the Internet has doubled in the past eight years, covering 21% of the population.

### Postal revenues

The increase in Internet connectivity is not necessarily translating into economic benefits for the postal sector as a whole. The aggregated real revenues of designated operators have grown modestly over the past decade, at an average of nearly 2% per year. This is much lower than the rate of global GDP growth over the same period, which has averaged 3.4%, indicating a trend of “postal–GDP decoupling”.

Accounting for purchasing power parity and inflation, the real operating revenues of the postal sector amounted to 424 billion USD in 2016. As of 2016, 39% of operating incomes are linked to letter post, down on the 51.1% of 2005. Operating revenues remain volatile across regions. In 2016,

<sup>1</sup> Based on predictions of the International Monetary Fund.

operating revenues grew strongly in Africa (8.5%), Eastern Europe (14.4%) and the Arab region (7.2%). It is interesting to note that growth in this latter region has been associated with an increase in the share of financial services.

However, these global trends mask regional disparities in terms of revenue segmentation, with three main models emerging: 1) accelerated diversification beyond parcels and logistics; 2) diversification into parcels and logistics while maintaining the core of letters; and 3) increased reliance on letter post. The first model is the most representative of Africa, the Arab region and Asia-Pacific; the second of industrialized countries and Latin America; and the third of Eastern Europe and the CIS.

## Postal infrastructure

In addition to being a transaction-intensive sector, the postal sector continues to possess an extensive infrastructure network, with an estimated 677,347 global permanent post offices in 2016, more than half of which are in Asia-Pacific. Yet the trend towards outsourcing these establishments has been increasing, especially in industrialized countries. In fact, about 239,163 post offices are currently outsourced worldwide. At 5.32 million employees, the sector's workforce has declined slightly, by 0.4%.

In terms of delivery modes, the reality between regions can vary considerably. In some, well over 95% of the population gets its mail delivered at home, while in others this rate barely reaches 65%. More worryingly, in some areas, over 10% of the population still lacks any access to postal services. On average, 80.4% of the world's population receives mail at home.

The decrease in total workforce following the financial crisis in 2008 has not yet been overcome, with an increasing share of part-time workers (20.5% in 2016). Three regions alone (industrialized countries, Asia-Pacific, and Europe and CIS) account for almost 94% of global staff. However, staff productivity does not match this trend.

## Postal development

As shown in the 2018 Postal Development Report (featuring the latest Integrated Index for Postal Development (ZIPD) 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 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 their consistently balanced performance across the four dimensions of the ZIPD: 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 Posts 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. Indeed, there are champions in all regions that outperform their regional peers as well as other sectors. This shows that, whatever challenges there may be, there are no inevitabilities in the context of postal-GDP divergence. Greater convergence can be achieved through stronger investment policies better tailored to the postal sector, and diversified strategies for postal operators.

The quantitative nature of the ZIPD 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.



## 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 International Bureau, 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 International Bureau 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).<sup>2</sup> 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.<sup>3</sup> The functions of the Director General in the areas of personnel and finance are also set out in the International Bureau Staff Regulations, in the Rules Governing Non-Core Staff of the International Bureau 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 Posts modernize and upgrade their postal products and services. It deals with the operational, economic and commercial aspects of the postal business.

<sup>2</sup> Article 20 of the Constitution.

<sup>3</sup> 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

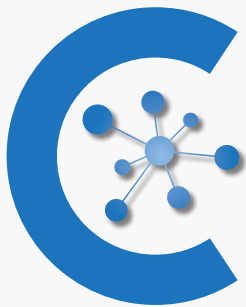
The International Bureau is currently composed of nine directorates. Of these, four perform operational activities and five perform support functions. The following is a summary of the key objectives of each directorate:

- **The Postal Operations Directorate (DOP)** is responsible for implementing all operational and techno-logical 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; and 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.

# 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 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.



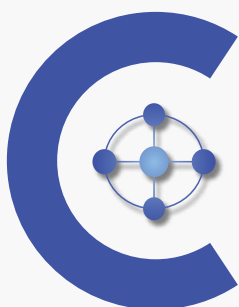
### GOAL 1 – Improve the interoperability of network infrastructure

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.



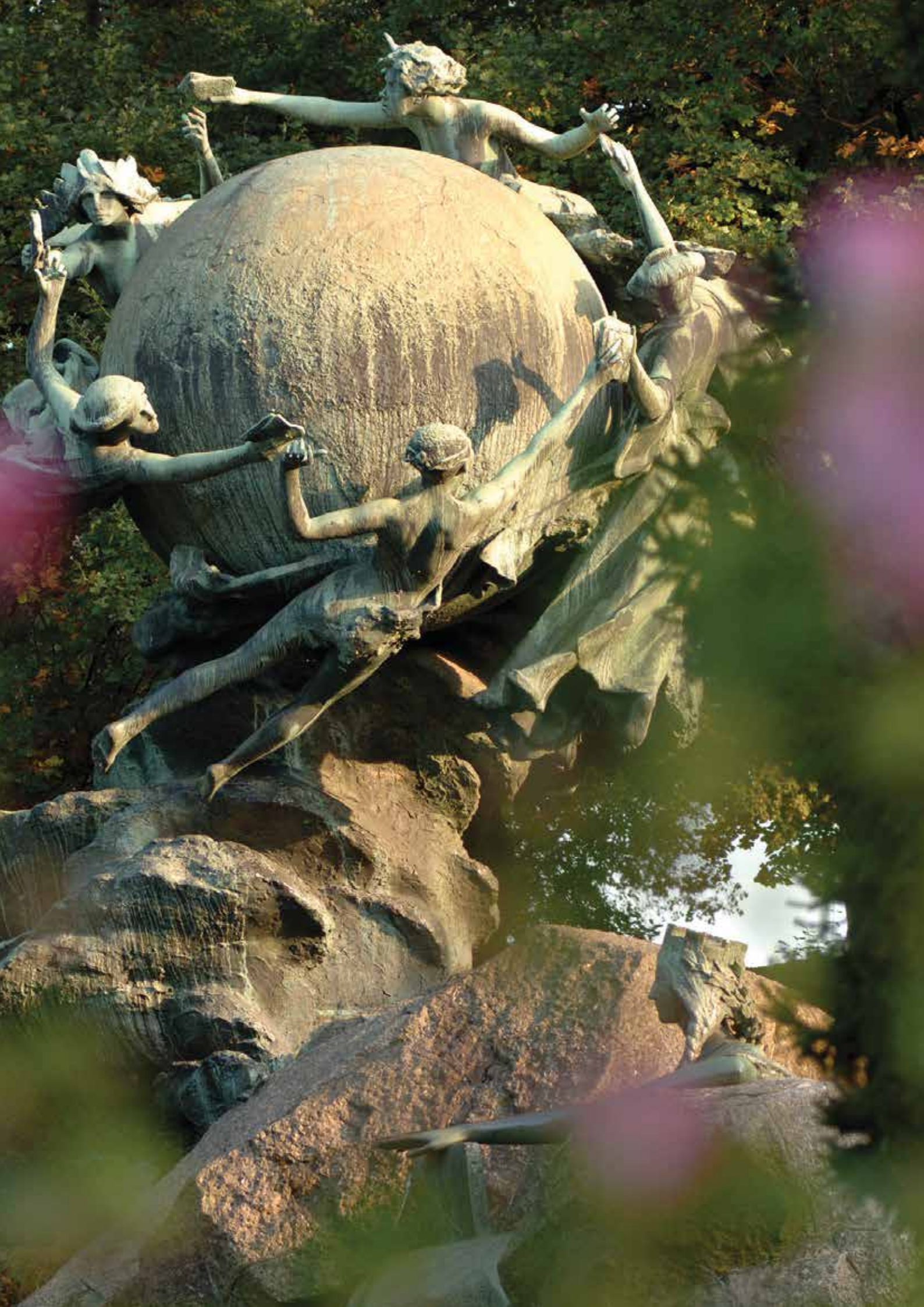
### GOAL 3 – Foster market and sector functioning

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.









## 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 2017 CA sessions included updated key performance indicators and targets, overall budget information for 2017 and 2018, and the estimated funding gap for the remainder of the cycle. The latest version submitted in 2018 included updated key performance indicators and targets.

---

### **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

## Achievements of the past cycle (2013-2016)

When the UPU embarked on the 2017–2020 cycle following the Istanbul Congress, it had already gone through four transformational years.

The Doha Postal Strategy approved by Congress in 2012 consisted of four goals and 17 related programmes to be pursued in the 2013–2016 cycle.

**GOAL 1** (Improve the interoperability of the international postal networks) focused on improving the synchrony and integration of the sector's physical, electronic and financial networks, with emphasis on improving service quality and offering relevant products and services.

**GOAL 2** (Provide technical knowledge and expertise related to the postal sector) was aimed at leveraging UPU expertise to position the organization as a key forum for the exchange of ideas and best practices and the development of analytical tools, such as statistics, related to the postal sector.

**GOAL 3** (Promote innovative products and services (developing the 3-D network)) emphasized the acute need to modernize and diversify postal products and services, stimulate market growth through the use of new technologies, facilitate international e-commerce, and continue development of postal networks along three dimensions.

**GOAL 4** (Foster sustainable development of the postal sector) focused on the continued development of UPU initiatives in the social, economic and environmental pillars of sustainable development, including activities geared towards improved remuneration systems, reform of UPU structures and regulatory frameworks, financial inclusion, and resilience to disasters.

With a few exceptions, all projects and resolutions related to the Doha Postal Strategy were completed by the end of 2016. The overall implementation rate was 81% in December 2015 and 97% in September 2016.

Goal 2 achieved the highest rate of completion by September 2016, at 99%, followed closely by goal 4 (98%), goal 3 (96%) and goal 1 (91%). Extrabudgetary programmes, technical cooperation and support programmes also achieved high implementation rates, all above 98%.

During the 2013–2016 cycle, the IB provided advisory services and support to more than 100 committees, working groups and subgroups of the UPU governing bodies. This included the organization of seven CA and POC sessions and one Congress. A total of 3,230 documents (20,210 pages) were produced for these meetings, including drafting, translation, printing and publication (digital and physical).

The IB also helped to organize around 25 major global and regional events on a wide range of topics (including strategy, e-commerce and regulation) and for different stakeholders (governments, regulators, postal operators, other postal sector participants, and other UN system organizations). These included the World Strategy Conference and seven regional strategy conferences, as well as the maiden edition of the UPU World CEO Forum, which saw over 50 chief executive officers of designated operators gather in Paris in September 2016.

The UPU developed or further strengthened partnerships with a wide range of peer international organizations. Key areas of cooperation included postal financial services and financial inclusion, sustainable development and disaster risk management, postal security, customs and supply chain, electronic services, e-commerce and the information society, trade facilitation, big data and statistics, development cooperation, and high-level management relations with the UN system.



Key examples of the IB's economic research activity included the book *Development strategies for the postal sector: an economic perspective*; research undertaken through UN Global Pulse and published in the MIT Technology Review in partnership with Cambridge University; and the creation of the ZIPD, already referred to above. All of this research demonstrated that, through the IB's expertise, the UPU is leveraging electronic data interchange (EDI) messages to analyze flows and build predictions that are useful to a variety of stakeholders. It also showed that the value of data in the UPU network is higher than the sum of values stemming from different data sources, such as DOs and international organizations.

In terms of solutions offered to member countries, by 2016, 75% of those taking part in the Global Monitoring System (GMS) since 2012 had witnessed an improvement in their tracking performance. The EMS Cooperative had set the framework for an annual exported express mail volume of over 65.8 million items (2015 figures, representing more than 20% growth over 2014), with a global on-time delivery performance rate above 90% in the Doha cycle.

In terms of support for postal payment services, by the end of the Doha cycle, the IB had managed to facilitate the creation of PosTransfer, the UPU's first global trademark for postal remittances. UPU\*Clearing had further expanded its membership to 40 operators, which use the system to speed up account settlement between them; a total of 151,449,507 SDR was cleared in 2015.

During the 2013–2016 cycle, the IB was also very active in the area of standards, with 21 messaging and 16 technical standards updated or otherwise enhanced during the cycle, for a total of 175 standards managed at the end of the cycle.

Furthermore, the number of technical cooperation projects planned (excluding those under the Quality of Service Fund (QSF)) more than doubled between 2013 and 2016, and the number of implemented projects increased more than eightfold in the same period. Through the IB, the UPU also provided essential equipment to member countries, with the equivalent of over 1.5 million CHF allocated to least developed countries for procuring vehicles, sorting and IT equipment, and solar panels. In the area of capacity building for

postal operators, the IB supported the opening of six new training centres and the holding of 100 workshops for member countries throughout the world, including 19 regional quality of service workshops, during the Doha cycle.

## Achievements in 2017

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 strategy implementation report, mentioned on page 19, 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 2017, substantial progress was made towards achieving the targets set for this goal. In the case of GMS, the target related to measurement and reporting for legs 1 to 3 for physical postal products in international links was well exceeded in 2017, reaching 85 links. With regard to supply chain and security, the results for 2017 suggest a marked increase in EDI activity between DOs and airlines. The target for operations and accounting was exceeded, with a growing number of new members in 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 2017 relating to the exchange of ECOMPRO parcels were exceeded. Similarly, work relating to financial inclusion and financial services exceeded expectations, with the target for WEPPN access points surpassed

by 2.8% and an increased number of members using the UPU PosTransfer trademark. All targets relating to product and service diversification and harmonization were met or exceeded, with the number of DOs exchanging EMSEVT V3 up to 163, and more than 100 (versus 30) DOs trained on recent physical product developments. Targets related to integrated remuneration and e-services were met in 2017, with marked increases in some areas, such as the percentage of postal operators providing e-services and the number of domains under .POST.

**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.

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 159 in 2017. Market and sectoral information objectives were also exceeded. For example, while only 50 countries were expected to access at least one UPU big data analytics product, 62 countries have already signalled their interest in doing so. There were also 5,163 references to UPU market research publications and postal data, above the target of 4,000 references. Similarly, targets were surpassed in the area of sustainable development. For instance, while only two countries were expected to benefit from technical assistance for the measurement and reduction of carbon emissions, 20 had already received such assistance by the end of 2017. There were also 83 countries participating in the online carbon calculation and reporting tool, far beyond the 50 expected at year-end.

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 17% of the cycle's development cooperation activities in the field of operational readiness for e-commerce would be implemented by the end of 2017. This target was exceeded, with over one quarter of planned activities implemented.

Overall, these results show that the focus of the UPU's development cooperation activities is increasingly shifting towards supporting national Posts 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 2017 edition of the UPU World CEO Forum was held in Moscow, Russia, from 17 to 19 September. It was the second time that the postal industry's leading figures had met to reflect on its future.

The previous 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 Posts, academia and beyond. They delved into several crucial topics for the industry, such as the profitability of e-commerce, the relationship between Posts 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 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 Posts' key stakeholders. Under the title "*Leading multidimensional growth: The hows and whys of postal strategy*", the forum spanned two days of discussion with high-level speakers from the postal sector and international organizations, in a total of six panels.





The first key takeaway from the event was that technological transformations are bringing not only risks but also significant opportunities for Posts, which have retained their role as a network of public services. The CEO Forum served as the perfect tool for establishing a benchmark with peers and providing input for the postal sector's 2030 Agenda.

While disparities persist between countries and regions, circumstances have totally changed for postal operators, which must cope with fast-evolving needs. Customers are much more demanding: "right here right now", "digital and mobile", and "choice and control" are just some of the buzzwords that describe this new pattern. In addition, Posts continue to feel pressure from governments to fulfil their public service mission.

Which business models would be most conducive to success? To address this question, traditional postal operators have been adopting a number of strategies to successfully mitigate risks and seize opportunities. In several countries, the Post is increasingly adapting its portfolio in order to become a one-stop shop for public services. In

doing so, it is nurturing an old tradition while meeting the expectations of governments.

For all the benefits of these different business models, the CEOs attending the forum agreed that there was no one-size-fits-all answer. In other words, resolving the key strategic dilemmas of Posts today (progressive growth vs. leapfrogging; margin focus vs. volume focus; mono-product vs. diversification; competition vs. cooptation) will depend on the realities of each country.

That is precisely where the UPU can be useful. It provides a platform for CEOs to convene and discuss such issues. It can help countries to define the USO and the rules related to it, taking into account national and regional specificities. It can provide technical solutions and assistance to governments, regulators and Posts willing to upgrade national postal infrastructure. In the words of Bishar A. Hussein, Director General of the UPU IB, the UPU is the glue that holds the postal sector together, enabling 192 networks to behave as one.

### *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 2017 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 ZIPD. The 2017 event recognized that 2016's global top three (Switzerland, France

and Japan) and the regional champions (Brazil, Mauritius, Poland, Singapore and the United Arab Emirates). In addition, the winner of the UPU's 46<sup>th</sup> International Letter-Writing Competition for Young People was announced. Fourteen-year-old Eva Giordano Palacios, from Togo, wrote a poignant letter to the Secretary General of the United Nations, António Guterres, calling for increased efforts to help poor countries abolish old practices that persist because of a lack of socio-economic development.

In a special message to the UPU, Mr Guterres indicated that "Posts play an important role in the everyday lives of people and businesses and are making welcome contributions to global efforts to achieve the Sustainable Development Goals".



## Secretariat

### Council of Administration

The UPU CA held its first semiannual session in Berne from 3 to 7 April 2017. Key topics dealt with included the following:

- Extension of the mandate of the task force on the UPU Provident Scheme and the creation of a new task force on contribution systems;
- Access policy for UPU products and services;
- ZIPD results for 2016;
- Results of the Global Panorama on Postal Financial Inclusion;
- New UPU Financial Inclusion Technical Assistance Facility funded by the Bill & Melinda Gates Foundation;
- Implementation plan for the 2017–2020 UPU development cooperation policy, including the optimization of regional development plans, level-one priority projects, greater accountability and budgetary breakdown of resources;
- Ecom@Africa initiative;
- Recommendations provided by the legal study arising from decision CA 2/2016.2 (Safeguarding the quality of the international postal service);
- Establishment of formal relations between the UPU and Visa Inc. as part of efforts to develop technical assistance activities in the area of financial inclusion.

In the second session of the CA held from 23 to 27 October 2017, the following key topics were discussed:

- Report following the UN Joint Inspection Unit (JIU) review of the UPU's management and administration, and the IB's proposals in response to those recommendations;
- Draft programme and budget for 2018, setting the amount of the contribution unit at 43,526 CHF per unit for a total of 830.5 units;

- The International Civil Service Commission (ICSC) decision to implement a reduced post adjustment multiplier applicable to staff in the professional and higher categories;
- Policy governing the access of wider postal sector players to .POST, POST\*Net and UPU postal supply chain management solutions;
- Broadcasting of the CA and POC committee and plenary meetings on the UPU website;
- First results of the survey on data governance policy, as well as an update on UPU research and partnerships with the UN and other international organizations;
- Progress made by the task force on emergency assistance and disaster risk management;
- Consensus reached by the ad hoc group on UPU reform on pending topics;
- Consensus reached by the CA/POC joint task force on the Quality of Service Fund to update the QSF framework by replacing the Deed of Trust with Rules of Procedure;
- Outcomes of the CA Conference on Regulation.

### Postal Operations Council

The first POC session of 2017 was held from 27 to 31 March.

Key topics dealt with during that session are listed below:

- New Regulations of the Universal Postal Convention and the Postal Payment Services Agreement entering into force on 1 January 2018;
- Signing of Additional Protocol No. 1 to the Cooperation Agreement between the UPU and the Government of Japan (through its Ministry of Internal Affairs and Communications) on disaster risk management and environmental issues by the Secretary General and H.E. Etsuro Honda, Ambassador Extraordinary and Plenipotentiary to the Swiss Confederation and the Principality of Liechtenstein, and Ambassador in charge of Financial and Economic Affairs in Europe;



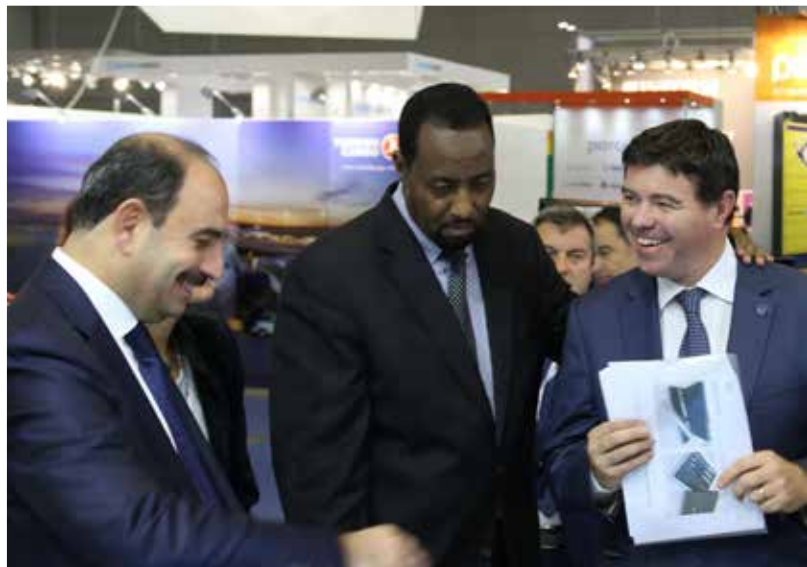
- Basic airmail conveyance rate for 2018;
- Proposed parcels minimum specifications for 2017–2020;
- PostTransfer quality of service and remuneration conditions.

Two award ceremonies were also held, namely:

- QSF awards – presented to eight DOs for their outstanding achievements in implementing QSF projects: Congo (Rep.), Costa Rica, Croatia, Dem. People’s Rep. of Korea, Morocco, Sri Lanka, Uganda and Viet Nam;
- S42 addressing standard recognition awards – presented to Bulgaria (Rep.), Kazakhstan, Kenya, Tunisia and Ukraine.

The POC held its second session in Berne from 16 to 20 October 2017. Key topics discussed included:

- Organization of the Integrated Product Plan Forum on the theme “Delivering a sustainable product vision for 2020 and beyond”;
- Recast of the electronic advance data roadmap implementation plan;
- Extension of the term of the task force on the transportation of postal items by rail until POC S3;
- Approval of status 2 for ITMATT;
- World Association for the Development of Philately philatelic work plan for the 2017–2020 cycle;
- Project plan for the interface to share data among stakeholders in the e-commerce value chain;
- Postal Payment Services Multilateral Agreement;
- Proposals to amend Convention Regulation articles 31-101 and 34-109 and dealing with the QSF.



## 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 175 million SDR processed in 2017 alone, the system is used by 47 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, substantial progress has been made towards developing an integrated remuneration plan for the 2018 Extraordinary Congress. The number of DOs in the target system for terminal dues increased to 74 in 2017. An increasing number of DOs notify the IB of their domestic tariffs, ECOMPRO rates and other key information. A total of 30 DOs also achieved all inward land rate bonuses in 2017.

## 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, as part of the development cooperation programme, 41 projects of regional, interregional or national scope were launched and 105 cooperation activities (seminars, group and individual training sessions, on-site consultancy missions, equipment purchases, etc.) were carried out, 49 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.

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.

In 2017 alone, 22 consultant missions were planned and executed in all regions.

### 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 2017, a workshop for course designers was conducted to create a pool of course-design experts for the Trainpost platform. Updates were made to the Trainpost courses on security and e-services, and a new standardized training package on disaster risk management was created. In addition, a new plan was created to expand the assistance given to training centres in collaboration with restricted unions.

## 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 11 users captured, transmitted and processed customs data in 2017.

## 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 Posts. It also coordinates UPU standardization initiatives with those of other international standardization bodies and works closely with Posts, customers, suppliers and numerous international organizations to this end.

In 2017, 8.4% of active standards (below status 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 30 billion postal tracking records expected by 2020, 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 2IPD, which is the first tool for comprehensively measuring postal development.

#### Postal statistics

The postal statistics compiled by the UPU are not only a requirement (UPU Constitution article 9 and the related annex – 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 designated operators worldwide. Data sheets are available for 188 member countries, 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, the Postal Economic Outlook 2018 highlights trends in the sector. The first of its kind, the report analyzes the macroeconomic context as well as postal revenues, traffic, infrastructure and development.

In the Postal Development Report, the UPU studies the postal sector's contribution to the achievement of the UN Sustainable Development Goals. Drawing on the quantitative side of the 2IPD as well as qualitative case studies, this research reveals that the sector has a potentially high impact on Goals 8, 9, 11 and 17 of the SDGs.

### Collaborations

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

#### *Measurement of socio-economic indicators (UN Global Pulse)*

In a report organized by the International Telecommunication Union and launched at the High-Level Policy Forum held in New York from 10 to 19 July 2017, UN agencies recognized that ICT constituted both a risk and an opportunity in terms of achieving the UN SDGs. The UPU contributed to this report with a think piece showing how the organization, as a unique knowledge centre for the postal sector, can leverage ICT in order to collect, share and analyze data that supports development policies.

As an example of this added value, the UPU highlighted the work done in the context of the UPU–UN Global Pulse partnership, which revealed that by leveraging ICTs, the UPU’s big data is able to generate reliable social and economic development indicators, even in cases of patchy macroeconomic data (e.g. where local statistical capabilities are weak).

The partnership with UN Global Pulse produces insights that will sustain the UPU’s role as a UN specialized agency concerned with the promotion of socio-economic development.

#### *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. Another practical example of the effects of this measurement is the introduction of postal topics in the digital transformation agenda of several countries (e.g. “Information Kazakhstan – 2020”).

#### *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.

#### *Other research partnerships (Asian Development Bank Institute and World Bank)*

The UPU is working jointly with research teams at the World Bank and the Asian Development Bank Institute (ADBI) to produce a research paper on the impact of international transportation on trade and e-commerce. The ADBI approved a grant of 100,000 USD for the production of a book on financial inclusion, aimed at fostering and supporting this in the Asia-Pacific region.

## 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 195 members.





# Corporate results

## HR review

The International Bureau has 266 employees, consisting of 83 General Service staff, 90 special contractors and extrabudgetary staff, and 92 employees in the Professional and higher categories. 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 180 opportunities were offered to staff for career development in 2017. In addition, 92% of recruitment was finalized within three months, from the first meeting of the Appointments and Promotions Committee to the submission of the selection report to the Director General.

With regard to the IB itself, the proportion of female staff increased from 39.8% at the beginning of the cycle to more than 42% in October 2017, hitting a high of 43.5% in 2015.

A 30% increase has also been witnessed in the number of different nationalities, which rose from 54 in 2012 to 70 in 2017. 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

The External Auditor conducted an interim audit for the 2017 financial year. The results of the audit will be incorporated into the annual report to be presented to the CA in its October 2018 session. Following the final consultation on 21 December 2017, the External Auditor confirmed its intention to close certain recommendations. It is noted that, as the UPU was not able to pay 5 million CHF into the Provident Scheme, the External Auditor examined continuity of operation. In this context, the IB was asked to produce a five-year liquidity plan, on the basis of which management will assess the ability of the organization to continue operating the Provident Scheme.

### Internal audit

As the contract with Ernst & Young (EY) was ending at the start of 2018, and in accordance with the work plan, the internal audit service closed any open audit files by reviewing all recommendations made during the mandate, with a particular focus on the consolidation of IT production within the IB. Furthermore, and following a now well-established practice, it undertook a new risk assessment with the methodological support of EY. Thus, following the 2010 and 2014 exercises, the UPU has, for the period covering the end of the Istanbul cycle, an up-to-date risk profile and can better manage the identified risks and establish a work plan for the internal audit service that reflects those risks.

The risk assessment was conducted in such a way as to include the different oversight partners (JIU, internal and external auditors and member countries).

Regarding the new internal audit partner and following the tendering and procurement procedures, the Tenders and Procurements Committee recommended that the Director General select BDO SA. Ranking fifth in the International Accounting Board World Rankings, BDO presented a bid that was more in line with the UPU's desired approach, particularly with respect to the use of international standards, and that was also more advantageous financially. In accordance with decisions taken by the CA, this service contract will cover the period from 2018 to 2023. The contract is non-renewable.

## Joint Inspection Unit

Together with 23 other organizations, the UPU helps to finance the UN JIU, and thus benefits from independent system-wide evaluations, inspections and investigations. The JIU began a comprehensive review of the UPU in the spring of 2016; the exercise was completed in 2017.

The CA gave its opinions on this review in its second session of 2017. The JIU was duly informed and invited to a dialogue. The IB has played an active role in other work of the JIU, particularly at the end of 2017 regarding the framework for ethics implemented within the United Nations system. Lastly, and in accordance with its commitments in the area, the UPU has input all the necessary information into the electronic monitoring tool for the recommendations of the JIU, covering the period from 2006 to 2017. The JIU management lauded the steps taken by the UPU in that regard.

## 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. In 2016, in addition to the main elements of the ICS, the programme provided general training aimed at establishing monitoring loops and raising awareness among the core and support directorates about the risks associated with their respective activities. Moreover, the exercise was supplemented with a review of the Istanbul Congress resolutions and the risks associated with them, and of actions aimed at reducing those risks.

The 2016 exercise saw the introduction of a new methodology for the ICS, allowing for improved distribution of the risks allocated to the various directorates. A focus is to be placed on the activities decided on by the Istanbul Congress, and on reducing the time needed to establish monitoring loops.

## Ethics Office

The Ethics Office was created by the 2009 Council of Administration. In line with a recommendation by the JIU, the 2011 CA decided to outsource the Ethics Office to another institution within the UN system.

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".

An ethics training course was offered by the governance programme of the IB, with 86% of IB staff taking part in the various sessions organized in July and November 2016.

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.

## 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.

The UPU has outsourced its financial disclosure system to Hudson-Ethics Consulting until 2017. This system is comparable to those put into place by the UN and other organizations belonging to the UN common system, and follows the recommendations made by the JIU in its report regarding ethics in the UN system (JIU/2010/3).

In June 2017, the financial disclosure exercise concerned 48 officials, from the Director General to the members of the Tenders and Procurements Committee. All of the statements were filed.







## Financial statements

In the long term, the main challenge is in servicing liabilities related to employee benefits of 146.81 million CHF.

These combined challenges make the need for revenue growth a priority, regardless of any consolidating measures.

In order 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. This includes 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 2017 (in CHF)

	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	48,589,640	41,500,013
Investments	100,534,253	97,776,954
Accounts receivable (non-exchange transactions)	21,314,276	20,846,484
Accounts receivable (exchange transactions)	31,741,869	17,099,280
Inventories	192,580	311,999
Other current assets	2,896,771	4,283,720
<b>Total current assets</b>	<b>205,269,388</b>	<b>181,818,450</b>
<b>Non-current assets</b>		
Investments	2,445,000	4,561,250
Accounts receivable (non-exchange transactions)	13,767,255	12,623,877
Equipment	1,855,820	1,615,512
Intangible assets	370,372	323,379
Land and buildings	25,285,652	26,231,562
Other non-current assets	25,500	25,296
<b>Total non-current assets</b>	<b>43,749,600</b>	<b>45,380,877</b>
<b>Total assets</b>	<b>249,018,988</b>	<b>227,199,327</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	31,801,138	16,845,916
Employee benefits	1,918,905	1,846,490
Deferred revenue	74,697,127	64,948,959
Advance receipts	81,431,404	84,286,511
Funds-in-trust held for translation services	7,130,847	7,117,955
Loans payable within one year	375,760	375,760
Provisions	2,556,000	925,000
<b>Total current liabilities</b>	<b>199,911,181</b>	<b>176,346,591</b>
<b>Non-current liabilities</b>		
Employee benefits	146,808,017	135,622,976
Loans payable after one year	726,077	1,085,038
<b>Total non-current liabilities</b>	<b>147,534,094</b>	<b>136,708,014</b>
<b>Total liabilities</b>	<b>347,445,276</b>	<b>313,054,605</b>

Accumulated surplus (deficit) Union funds	-97,923,315	-86,350,320
Accumulated surplus (deficit) other funds	3,417,510	3,496,830
Accumulated surplus (deficit) controlled entities	-8,116,462	-7,401,877
Reserves	4,195,980	4,400,089
<b>Net assets</b>	<b>-98,426,288</b>	<b>-85,855,279</b>

## Statement II – Statement of financial performance from 1 January to 31 December 2017 (in CHF)

	2017	2016
<b>Revenue</b>		
Assessed contributions of member countries	36,346,343	35,885,215
Other annual contributions	4,509,786	3,494,517
Voluntary contributions	11,894,025	16,570,467
Sales	11,006,597	10,216,900
Financial revenue	1,774,618	11,185,565
Exchange gains	1,115,909	1,725,929
Other revenue	1,087,347	1,664,799
<b>Total revenue</b>	<b>67,734,624</b>	<b>80,743,392</b>
<b>Expenses</b>		
Staff costs	51,508,366	47,405,963
Travel	992,233	1,215,436
Consultants and external contracts	3,864,422	4,310,782
Project costs	11,670,055	17,973,161
General operating expenses	1,474,693	1,218,863
Materials and supplies	666,975	471,285
Maintenance and repairs	1,607,201	1,365,068
Depreciations	1,881,131	1,958,081
Financial costs	2,942,278	418,471
Exchange losses	1,162,080	1,485,536
Other expenses	3,262,593	1,515,977
<b>Total expenses</b>	<b>81,032,027</b>	<b>79,338,624</b>
<b>Net result</b>	<b>-13,297,403</b>	<b>1,404,768</b>





**UNIVERSAL POSTAL UNION**

International Bureau  
Weltpoststrasse 4  
P.O. Box 312  
3000 BERNE 15  
SWITZERLAND

Tel: +41 31 350 31 11  
Email: [strategy@upu.int](mailto:strategy@upu.int)

