

Postal networks: actors in the social and economic development of the Europe and Central Asia region

Regional Development Plan 2017–2020
Development and Cooperation Directorate



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Postal networks: actors in social and economic development

In a rapidly changing world, the essential role that Posts play in ensuring the right to communication through the exchange of messages, the transport of parcels or the sending of money is now more relevant than ever. Postal networks are vital to e-commerce development, ensuring the delivery of millions of parcels each day. Postal networks also contribute to trade facilitation, in particular for micro, small and medium enterprises, by offering products and services tailored to the needs of those businesses. In addition, over 1.5 billion people around the world have access to financial services via the post office, making Posts the world's second biggest stakeholder in financial inclusion.

In a world in which new technologies are constantly being developed, the Posts demonstrate day after day their capacity for innovation. The use of drones or driverless vehicles to deliver parcels, the launch of hybrid mail, the development of mobile payment services or cryptocurrency for money transfers, and the creation of mobile virtual network operators are just some of the examples of how Posts are able to adapt to, and even anticipate, changes in the environment in which they operate.

Consequently, in the majority of countries, postal networks constitute an essential infrastructure for an inclusive and effective economy. The purpose of this document is to show government authorities and development partners (international organizations, development agencies, United Nations system institutions, etc.) how postal networks can serve as catalysts for development. The document comprises three parts. The first part looks at the global postal sector and highlights its importance as an economic infrastructure. The second part highlights the contributions Posts make to the Sustainable Development Goals, in particular in the areas of socio-economic development, climate change, and financial and social inclusion. Lastly, the third part offers insight into the postal sector in the Europe and Central Asia region, examining its strengths and

weaknesses, and provides a brief description of some of the key projects that the UPU intends to implement in the region during the 2017–2020 cycle.

In 2015 and 2016, the UPU, a specialized agency of the United Nations, worked with regional partners to identify the intervention priorities for its development cooperation activities. Using the UPU's Vision 2020, which focuses on the three key pillars of innovation, inclusion and integration, each region selected three to five areas for which projects would be formulated. Accordingly, during the 2017–2020 cycle, projects will be developed in the areas of e-commerce, financial inclusion, trade facilitation, measuring and reducing the postal sector's carbon footprint, disaster risk management, and bridging the digital divide. All interventions will be designed to make the best use of the postal infrastructure, in particular in rural and remote areas, in order to contribute to the development of countries.

I urge all partners to work with the UPU and its 192 member countries to ensure that their activities in the area of socio-economic development have a greater impact. I know that by joining forces and using postal networks to their full potential, we can contribute to the achievement of the Sustainable Development Goals.



Bishar A. Hussein
Director General

Postal sector contribution to socio-economic development

The postal sector is currently in a period of profound change. Technological developments, challenges to the traditional economic model, liberalization, new customer expectations and significant shifts in consumption patterns are all factors that are pushing Posts to re-invent themselves. One thing, however, remains unchanged: postal networks continue to be an essential part of a country's socio-economic infrastructure.

Posts in the 21st century

One of the first things that comes to mind when one thinks of the Post is letters or postcards. However, postal operators around the world offer a whole host of other products and services: parcel delivery, bank accounts, bill payment services, applications for or renewals of official documents, delivery of fresh products, home services for the elderly, delivery of vaccines or books for school children, and so on. The postal sector is thus an essential infrastructure that facilitates the functioning of the global economy.

A study¹ conducted in 2016 by the UPU, the United Nations Global Pulse initiative and the University of Cambridge, analyzing the postal flows of 184 countries over a four-year period, reveals a very strong correlation between postal connectivity and gross domestic product per capita and the rate of poverty. Postal connectivity is defined as the capacity of the postal network to engage in exchanges with a large number of countries. Therefore, the more the Post of a country exchanges with other Posts, the greater the growth in the country's economy and the greater the decrease in its rate of poverty. Furthermore, if a high degree of

postal connectivity is combined with the proper functioning of other communication networks (air transportation and social and mobile networks), the correlation between postal connectivity and development becomes even stronger. This study thus shows that if a country's postal network is adequately developed, engages in exchanges with the postal networks of a number of other countries, and has a solid infrastructure (airlines, mobile networks, etc.), the more positive its impact will be on the country's economic growth.

A three-dimensional network: physical, electronic and financial

To better understand the importance of the postal sector, a few of its characteristics should be examined:

- Posts form the largest integrated distribution network in the world: with over 660,000 offices operating in the 192 UPU member countries, the postal network makes it possible to physically connect everyone around the world. In addition to these post offices are the 1.4 million postal carriers who visit hundreds of millions of households each day. The postal network is made up of 2 million points of contact around the world, not including letter boxes and other automatic dispensers.
- An electronic network: to ensure the physical distribution of items (letters, parcels, e-commerce deliveries), Posts use an electronic network that interconnects the various operators and enables them to exchange electronic data in real time. The complementarity between the physical and electronic dimensions makes Posts key players in e-commerce, as the final link in the supply chain that connects distributors, websites and customers.
- A key player in financial inclusion²: around the world, 1.5 billion people send money to their families, pay their bills or receive social payments via the Post. Globally, 91% of postal operators offer financial services directly or in partnership with other financial institutions, making Posts the world's second largest contributor to financial inclusion, behind banks but well ahead of mobile phone operators and microfinance institutions.

¹ Hristova D., Rutherford A., Ansón J., Luengo-Oroz M., Mascolo C. (2016) The International Postal Network and Other Global Flows as Proxies for National Wellbeing. PLoS ONE 11(6). <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0155976>

² Clotteau N., Measho B. (2016) Global Panorama on Postal Financial Inclusion. Universal Postal Union. www.upu.int/uploads/tx_sbdownloader/globalPanoramaOnPostalFinancialInclusion2016En.pdf

Postal operations are extremely diverse



Prepaid cards for migrants



Parcels (e-commerce)



Banking services



Delivery of emergency aid



Government services (identification)



Mobile banking



Social role



Mail



Trade facilitation (MSMEs)



Money transfers



Posts by the numbers

As facilitators of international and domestic trade, e-commerce and financial inclusion, postal networks represent a basic infrastructure that is essential to economic development.

Traditional mail is on the decline in industrialized countries, but the significant growth in e-commerce is largely counterbalancing that trend. Indeed, according to eMarketer³, online sales will reach 1.915 trillion USD in 2016, accounting for 8.7% of retail spending worldwide, a percentage expected to reach 14.6% in 2020. Posts – key partners in e-commerce – are part of this trend. For several years now, the postal sector has seen extremely strong growth, with an annual rate of +14% between 2012 and 2014.

Aside from its extremely dense network, the postal sector boasts 5.24 million employees; handles over 300 billion items a year, including 8 billion parcels; and serves one billion customers who have a bank account with a postal financial institution.

Universal service and social role

The governments of the UPU member countries are obligated to provide a universal postal service, that is, to provide all citizens in their territories with basic postal services at affordable rates. Each country designates a postal operator (known as a designated operator or DO) responsible for ensuring access to the postal service. In contrast to other institutions that focus on major cities or the most developed areas, DOs are obligated to cover the entirety of the national territory and to offer their services at a uniform rate.

In this context, Posts typically take on public service missions, which are not always remunerated. France's postal bank, for example, is legally obligated to open a bank account for anyone who applies, regardless of that person's resources. In many countries, DOs are legally obligated to collect and deliver letters and parcels at people's homes, five or six days a week.

The postal network is thus a network of proximity and trust that facilitates the implementation of public policies.

³ <https://www.emarketer.com/Article/Worldwide-Retail-Ecommerce-Sales-Will-Reach-1915-Trillion-This-Year/1014369>

Economic impact of postal activity

An analysis of a series of programmes instituted by the Brazilian government in the late 1990s and early 2000s using the postal network perfectly captures the potential of Posts to stimulate economic growth. The government launched two programmes in particular. One involved implementing a simplified export process accessible to all via the post office. The idea was to enable micro, small and medium enterprises (MSMEs) to reach new markets in an accessible and affordable manner, without needing any particular expertise in international trade. At the same time, the government enacted new banking regulations allowing banks to recruit agents to distribute financial products, and it encouraged the Post to become involved. Correios, Brazil's designated operator, partnered with Bradesco, a large private bank, to distribute banking products via all the country's post offices.

The combined impact of these two policies was measured by means of various UPU studies⁴, which found the following:

- Between 2002 and 2008, the trade facilitation programme *Exporta Fácil* enabled over 10,000 MSMEs to access international markets. This programme enjoyed particular success in the country's poorest regions and in the less service-oriented regions.
- Similarly, an econometric analysis of each of Brazil's 5,564 municipalities showed the effect achieved by the creation of Banco Postal, the partnership between Correios and Bradesco. In the municipalities in which a Banco Postal agency was introduced, the creation of new businesses increased by 23% in comparison to the municipalities with no such agency. Furthermore, job creation increased by 14%, while the number of new banking agencies increased by 56%. A definite formalization of the economy and an increase in the average size of businesses was noted.

All of these factors demonstrated that rural areas, until then excluded from traditional economic networks, are able to develop when provided with adequate infrastructure. The postal network is able to play an important role in that process.

The UPU as a driver of sector development

Overview of the UPU

Created in 1874, the UPU is an intergovernmental organization and a United Nations specialized agency. It is the primary forum for cooperation between postal sector players (governments, regulators, operators) and works in a coordination, advisory or even regulatory capacity. In that capacity, the UPU drafts various international treaties and standards for the exchange of letters and parcels and for postal money transfers. Within the UPU, a large number of technical and operational issues relating to international postal exchanges are discussed. Furthermore, through its Postal Technology Centre, the UPU provides Posts around the world with cutting-edge technical solutions to help them secure their exchanges and improve quality of service. The UPU thus creates the conditions that enable the world's Posts to offer businesses the infrastructure needed to engage in exchanges in the safest and most secure manner.

Moreover, as a centre of expertise, the UPU produces studies and analyses, in particular to demonstrate the postal sector's impact on economic development. Lastly, since its creation, the UPU's mission has been to carry out cooperation activities aimed at strengthening the postal networks of developing countries.

The UPU works with specialized regional organizations, called restricted unions, that play an important role in ensuring a link between global, national and regional activities. By aligning their missions and agendas with UPU priorities, the restricted unions have become key players in facilitating the implementation of global strategies at the regional level.

⁴ Ansón J., Bosch Gual L., Caron J., Toledano J. (2008) *Postal Economics in Developing Countries: Posts, Infrastructure of the XXIst Century?*

Technical cooperation at the UPU

The postal sector is a universal network. The concept of a single postal territory is thus used, expressing the idea that the postal operators of countries worldwide are able to ensure global coverage and that people around the world can send letters, parcels or money orders to anyone, anywhere.

However, just as a chain is only as strong as its weakest link, a network is only as strong as its constituent parts. For that reason, the UPU has implemented a cooperation policy aimed at supporting the Posts of developing countries. Cooperation activities can be broken down into the following categories:

- **Public policy support:** as a centre of knowledge and expertise, the UPU regularly publishes studies on the postal sector that highlight best practices, offer impact analyses of various public policies, or ensure a better understanding of the business models adopted by different operators. In recent years, one of the key areas of focus has been on using big data to better quantify the postal sector's contribution to the United Nation's Sustainable Development Goals (SDGs).

- **Sector reform:** since 2005, the UPU has been working with the governments of nearly 70 countries on reforming their postal sector. In concrete terms, this process involves adopting a suitable legal framework, defining a consistent and sufficiently broad sector policy, and modernizing the DO. One success story is Uruguay, where the government fully supported postal reform and put in place all the necessary prerequisites to ensure optimal functioning of the market, with a strong national operator responsible for implementing a number of public policies.
- **Technical assistance for DOs:** the UPU implements regional and national projects designed to strengthen the capacity of Posts to offer services tailored to the needs of citizens. Such assistance can take various forms: procurement of equipment, roll-out of new services, advice, training, and so on.

The UPU's cooperation programmes are implemented by its Development and Cooperation Directorate and in particular by its seven regional offices, which act as the link between UPU headquarters and partners in the field.



Examples of UPU projects

The UPU, in the context of its cooperation policy, has achieved many successes in recent years:

- E-commerce:** the UPU is involved in e-commerce on two levels. On a global level, the UPU establishes standards, develops services and defines procedures to be applied internationally. This provides a framework that allows postal operators to fully play their role as a key stakeholder in the e-commerce supply chain. The UPU also intervenes at the national and regional levels in developing countries through major strategic projects. Technical and financial assistance is provided to governments and Posts to ensure that they can enter the international e-commerce market. Between 2013 and 2016, over a hundred countries received training and technical assistance in the areas of security, customs, quality of service, or transport. Posts are also provided with tools that make it possible to connect the entire supply chain, track all items transported within the postal network, and ensure the security of the network.
- Reduction in the cost of migrant remittances:** in 2008, in partnership with the International Fund for Agricultural Development, the UPU began implementing a series of projects in Asia-Pacific, Central Asia and Africa to use the postal networks in rural areas to roll out secure and affordable money transfer services. For example, between 2008 and 2010, in six West African countries, the average cost of transfers – via the Post as well as via traditional money transfer agencies – decreased by 30% to 50%, which helped migrants and their families, who are the recipients of these remittances. In Central Asia, a similar programme was implemented from 2011 to 2013 in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. In addition to encouraging price reductions by fostering competition on these markets, the UPU also supported the development of new services, including the cash on delivery service which allows unbanked citizens and merchants to trade without requiring access to credit cards or advanced payment systems.
- Emergency projects:** in 2010, Haiti was devastated by an earthquake that killed over 200,000 people. In 2013, in the Philippines, Typhoon Haiyan, the most intense tropical cyclone on record, killed over 5,000 people and devastated the Tacloban region. In both instances, the UPU, via its Emergency and Solidarity Fund (ESF), assisted the Posts in these two countries in not only re-establishing service (reconstruction of a sorting centre and post offices, and procurement of vehicles), but also rebuilding infrastructure in accordance with adequate standards in order to improve the resilience of the network. Since 2013, the UPU has been helping member countries put in place risk reduction strategies to ensure that Posts are better able to face natural disasters and can play an active role in providing humanitarian assistance in the wake of such disasters.
- Introduction of a postal addressing system in South Africa:** people without an address are unable to register with the civil registry or vote. Emergency services (fire, ambulance) cannot reach their homes and it is virtually impossible to obtain a telephone land line or connect to the electrical grid. Without addresses, governments have a difficult time collecting taxes or conducting censuses. The United Nations Development Programme estimates that four billion people worldwide are excluded from the rule of law. In many cases, this is the result of the fact that they do not have a clearly identified address, which excludes them from accessing many services. The UPU provides technical assistance to many countries to help them institute national addressing systems. As an example, a wide-scale project in South Africa resulted in the assignment of addresses to eight million homes in rural areas. As a result, rural populations were able to access public services, open bank accounts with Postbank, and receive home delivery from the Post and from many merchants.

Postal sector contribution to the implementation of the Sustainable Development Agenda

The 17 SDGs and 169 targets adopted by the United Nations in September 2015 serve as a roadmap for the international community to build a sustainable future and foster social advancement and human well-being. Their implementation calls for active and collaborative partnerships between all countries and stakeholders.

The postal sector can play a key role in the attainment of the SDGs nationally, regionally and internationally. The diverse network and presence of Posts make them a potentially strategic driver of the SDG agenda. The sections below detail how postal services can, and indeed must, be part of the solution for each of the approved goals.





SDG 1:

End poverty in all its forms everywhere

Ensure equal rights to economic resources and access to basic services and financial services (target 1.4)

Reduce vulnerability to environmental shocks and disasters (target 1.5)

Posts are the second biggest contributor to financial inclusion worldwide after the banking sector

Financial inclusion is recognized in the SDG framework as a key part of fighting poverty and fostering development for all.

Today, 91% of Posts worldwide offer financial services, including domestic and international money transfer services. They provide accounts for roughly a billion people, making them the second biggest global player in financial inclusion.

Owing to their very dense physical networks, unique presence in rural areas and trusted status, Posts are vital players in financial inclusion – and in a variety of different contexts:

- The Brazilian Post was a pioneer of the banking agent model in the early 2000s, with 10 million accounts opened over 10 years, mostly for unbanked or under-banked people.
- The Moroccan Post now provides accounts to around 20% of the country's population, especially in low- and medium-income segments.

Because of their extensive network and logistics capabilities, Posts are considered in many countries as valued partners in their governments' national disaster risk management and recovery plans. Their knowledge of the communities they serve and their infrastructure allow them to operate and intervene efficiently, especially in remote areas where the post office is often the only government presence.

Following Typhoon Haiyan, PHLP (the Post of the Philippines) and partners delivered cash grants to around 18,000 beneficiaries of the United Nations World Food Programme and made total cash payments of approximately 15 million PHP.



SDG 2:

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Provide secure and equal access to financial services and markets (target 2.3)

The Post enables and provides infrastructure for rural development through financial inclusion

A joint study by the World Bank and the UPU showed that Posts are better placed than banks to provide accounts to people excluded from the financial system, especially those in rural areas or precarious economic situations. This is very important in a rural development context, where the need for appropriate financial products and economic opportunities is greatest. For example, in Burundi in 2013, the Post implemented a government programme aimed at facilitating the distribution of fertilizers to around 350,000 families, helping to establish Burundi as a net exporter of rice.

Development in rural areas can only occur where there is adequate infrastructure. In the vast majority of countries, the postal network is the largest network in rural and remote areas to offer financial, communication, logistics and other retail and government services. This was shown in the examples above in the areas of financial inclusion, access to information and communications technology (ICT), and trade facilitation for SMEs in rural and underserved areas.

Posts assist local small-scale producers by building local and international marketplaces for the sale and distribution of food. As early as 1986, Korea Post created the ePOS postal ordering system for typical local products as a way of regenerating the local economy in farming and fishing communities.



SDG 5:

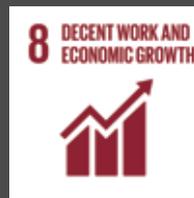
Achieve gender equality and empower all women and girls

Give women equal rights to economic resources, as well as access to financial services (target 5.a)

Posts as drivers of financial inclusion for women

A 2015 joint study by UN Women and the UPU demonstrated the non-discriminatory nature of Posts in the provision of financial services.

On average, in developing countries, postal financial institutions (postal banks or postal savings banks) have twice as many female customers as other financial institutions. This phenomenon is even more marked in rural areas.



SDG 8:

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services (target 8.3)

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all (target 8.10)



SDG 9:

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Increase the access of small-scale industrial and other enterprises, in particular in developing countries (target 9.3)

Increase access to information and communications technology and strive to provide universal access to the Internet in least developed countries (target 9.c)

Postal financial inclusion serves not only individuals excluded from the banking sector but also businesses, especially SMEs

Leveraging its network of over 40,000 branches extending to all parts of the country, the Postal Savings Bank of China (PSBC) fills the access-to-finance gap for farmers and MSMEs in rural China. According to the Consultative Group to Assist the Poor, between its launch in 2007 and 2013, the PSBC “served over 7.5 million microcredit business beneficiaries, handling over 13 million transactions amounting to over 811 billion RMB (over 130 billion USD)”⁵. The PSBC is therefore an indispensable banking institution willing to provide services to those not considered priorities by more traditional banks.

The postal sector as a tool for bridging the digital divide

The postal network is a unique asset for extending the information society to under-served populations.

In Botswana, the development of Internet access and the provision of various communication services in post offices through knowledge centres has increased the revenue of connected post offices by an average of 25% and provided local communities with a full range of e-services.

Tanzania Postal Corporation runs 36 Internet cafés and six post offices containing community information centres which offer e-learning and other Internet-based services to local communities.



SDG 10: Reduce inequality within and among countries

Promote social and economic inclusion (target 10.2)

By 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5% (target 10.c)

A network for social and economic inclusion

With more than 660,000 post offices in the world, postal presence in rural areas is unmatched by any other network for the facilitation of social and economic inclusion.

Post offices: the world’s cheapest providers of remittances

According to the World Bank, post offices are the world’s cheapest providers of remittance services. Posts have already achieved the 5x5 objective, with an average cost of about 5%. In Sub-Saharan Africa alone, if all remittances were to be channelled through post offices at that cost, migrants and their families could save up to 3.2 billion USD a year.

⁵ Zhang M. and Liu Z. (2014) Postal Savings Bank of China: Inclusive Finance in Rural China. CGAP.



SDG 11:

Make cities and human settlements inclusive, safe, resilient and sustainable

Approximately a quarter of the world's urban population lives in slums (UN-Habitat 2013). Lack of addressing infrastructure can exacerbate inequalities and undermine economic growth. Posts are helping to establish and provide addressing systems for all populations. The UPU, through its "Addressing the World – An address for everyone" initiative, is building a multi-stakeholder approach to help Posts in developing countries and least developed countries provide addressing systems to excluded populations. Quality addressing and postcode systems are an essential part of national infrastructure and are crucial to the socio-economic development of countries. They also facilitate trade and hence contribute to countries' economic growth.



SDG 12:

Ensure sustainable consumption and production patterns

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle (target 12.6)

Posts are key players in the local, national and international transport supply chain. More and more postal operators are calculating and reporting their carbon footprint. In developing and least developed countries, Posts are supported by the UPU through its specially designed carbon management tool OSCAR.



SDG 13:

Take urgent action to combat climate change and its impacts

Strengthen resilience and adaptive capacity to natural disasters (target 13.1)

Integrate climate change measures into national policies (target 13.2)

Making Posts more resilient enables them to play a more effective role in managing disaster risks and the aftermath of catastrophes, and in improving the resilience of local communities. More and more Posts are implementing disaster risk management and resilience programmes to enable better preparation for and adaptation to natural disasters with a view to better serving all populations.

Mitigating the environmental impact of postal activities is on the agenda of a growing number of Posts in not only industrialized but also developing and least developed countries. Many Posts are developing low carbon strategies through their postal products and the use of renewable energy in their vehicles and buildings.



SDG 16:

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

As public institutions in many countries, Posts are delivering government services and acting as public policy enablers. For example, they help to organize electoral processes and deliver identity papers and official documents, and enable public access to information through the distribution of print media. In Lebanon, the Post, which has more than 90 branches throughout the country, has concluded partnerships with several public and private institutions to provide services on their behalf, enabling citizens to renew passports, pay taxes, have official documents certified and apply for work permits in all post offices. More than 120 different services can be facilitated by postal staff, and millions of these operations are performed every year.



SDG 17:

Strengthen the means of implementation and revitalize the global partnership for sustainable development

Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020 (target 17.11)

Posts as a key enabler of trade

The role of Posts in trade facilitation is growing, especially in the context of e-commerce. The implementation of trade facilitation programmes by Posts has had a significant impact on export trends, in particular for SMEs in rural areas of developing countries. This is true of Latin America in particular, where postal trade facilitation programmes developed by Posts in cooperation with the relevant national authorities have been a success. In Ecuador, where such a programme has been implemented by the Post, the value and volume of exports from SMEs through this channel have more than tripled in two years.

Regional priorities

Analysis of the situation in the Europe and Central Asia region at the end of 2016

General information on the Europe and Central Asia region

The region of Europe and Central Asia (ECA) comprises 31 UPU member countries. For UPU cooperation purposes, the ECA region includes 19 developing countries⁶. Of that number, 12 are in Eastern Europe, the Caucasus and Central Asia, and seven are in South Eastern Europe.

The ECA region is very heterogeneous in terms of geography, history, population, social and economic levels of development, and geopolitical issues. The region does not include any least developed countries, and is constituted mainly of lower-middle and upper-middle-income countries.

The total area covered by the countries of the region is 24,268,100 km², representing 18.7% of the world's total land area. In 2015, the region had a population of some 484.97 million people, or 6.60% of the world's population. The region's gross domestic product (GDP) is some 3,076 billion USD, or 5.07% of global GDP. Per capita gross national income (according to the latest 2015 estimates available) varies between 1,170 USD (Kyrgyzstan) and 25,930 USD (Cyprus), with a median value of 9,527 USD. According to the United Nations Development Programme, the region's human development falls into the high category.

Within this region, which covers Europe and much of Eurasia, there are many different regional organizations and trade groupings, such as the European Union (EU), the Commonwealth of Independent States, the Council of Europe, the Eurasian Economic Union (EAEU), the Economic Cooperation Organization, and the Shanghai Cooperation Organization. A number of regional organizations are active in the region's postal sector, such as PostEurop (the association of European public postal operators), the Regional Commonwealth in the Field of Communications (RCC), and the European Committee for Postal Regulation (CERP). Most countries in the region

are members of PostEurop, the RCC and CERP, and benefit from their assistance.

Actions led during the 2013–2016 cycle

Several factors influenced the formulation of the 2013–2016 action plan for the developing countries of the region. These include access to the EU single market, structural reforms carried out in the ECA region's different sectors, system integration, legislation, and price liberalization. A summary of the main activities carried out by the UPU and its members during the 2013–2016 period is presented below.

Improvement of supply chain efficiency and fostering of e-commerce

- This project essentially involved the organization of a series of training workshops for national quality managers. Specific activities (consultant missions, procurement of equipment, installation of systems, etc.) were also programmed for six ECA countries.
- Within this project, two new designated postal operators achieved UPU certification for international service quality management, with the total number for the region reaching 12.
- Significant improvement in terms of on-time delivery of express items have been achieved by most of the operators in the region. During the 2013–2016 programming cycle, Serbia improved its performance level from 25% to 93%; Bulgaria (Rep.) from 28% to 91%; Croatia from 43% to 90%; Turkey from 0% to 69%, and Uzbekistan from 0% to 84%.
- Ten postal operators implemented more efficient process-mapping schemes for the exchange of international mail.
- A total of 39 experts from European countries conducted 13 consultancy and audit missions to improve efficiency and quality of service in certain Eastern European countries.

To respond to the growing development of e-commerce, the region's postal operators started to develop and implement products catering to the needs of e-commerce merchants and clients. To reinforce this, the UPU conducted a number of activities to build the capacity of postal staff, created platforms for the exchange of best practices, and led operational and audit missions in the field. This programme will be further developed during the 2017–2020 period.

⁶ Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine and Uzbekistan.



Postal financial services

The implementation of various national and regional projects has allowed considerable progress to be made in the deployment of money transfer and postal payment solutions in the countries of the ECA region. In 2015, about 82% of transactions within the UPU worldwide electronic postal payment network were sent or received by countries of the region.

The UPU implemented a regional project in this area with funding from the International Fund for Agricultural Development. It involved connecting new countries to the UPU postal payment network and developing exchanges between the countries of the region, as well as exchanges between those countries and countries of other regions with high rates of migration. To support the development of electronic money order transfers, the UPU provided technical and financial assistance to Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, and IT equipment was purchased for the countries concerned.

In addition, a new UPU regional technical centre opened in Moscow. Its role is to provide technical support to postal operators of the ECA region, in coordination with the UPU's Postal Technology Centre.

Capacity-building activities

A total of 12 regional limited-scope projects were also executed. They served as useful capacity-building platforms within the framework of which more than 609 postal managers received training in the areas of quality of service, e-commerce, money transfers, key account management, and direct marketing. To strengthen these capacity-building activities, a new regional postal training centre was inaugurated in Moscow in 2015. In less than two years, five training workshops and capacity-building events have been organized for the postal staff from the region.

Current situation of the postal sector in the region

Postal services are a core part of today's communications sector in the ECA region. Citizens and consumers need a well-functioning postal services market that can cater to their needs.

The region's postal network comprises 106,727 post offices, with each post office covering an area of 227 km² and serving 4,573 inhabitants on average. With this very dense network, there is significant potential for postal operators to extend the scope of services provided to the population, especially to customers living in rural areas. In terms of postal delivery, the ECA

region has the highest rate of home delivery among all regions, outperforming even industrialized countries.

Based on 2014 UPU statistics, the postal operators of the region generated a total of 5,853 billion SDR in operating revenues. About 36.7% of this was generated by mail; 8.0% by parcel, express and logistics services; 20.0% by postal financial services; and 35.4% by other products and services. These categories are further developed below.

Mail services

In the past few years, there has been a clear downward trend in mail traffic. Total volumes of domestic mail in the region decreased by 10.4% in 2015. At the international level, the decrease was even stronger at 13.2%.

Parcel, express and logistics services

Unlike mail services, the region's parcels market is experiencing rapid growth. Compared with the previous year, the number of parcels processed at the domestic level increased by 11.3% in 2015 and by 50.8% at the international level. The potential for continued expansion is excellent, given the opportunities now afforded by the development of e-commerce and regional trade.

All postal operators have now introduced barcode technology and track-and-trace systems. Many Posts in the region also provide logistics services and have started to install automatic lockers for the self-distribution of parcels, as well as other modern technological solutions.

Financial services

According to the World Bank, the region has a very large number of migrants (16.4 million) and a continuously growing remittances market (42.6 billion USD in 2013)⁷. In the region, seven countries are among the top 20 emigration countries in the world. Posts in the ECA region are very active in this field, with 18 of them exchanging electronic money orders through the UPU network and offering money transfer services in partnership with other financial institutions.

Most postal operators in the region offer mainly payment services. They perform particularly well in the area of domestic and international remittances, bill payments, and government payments. This situation is due in part to a large network which extends deeply into rural areas. The 106,727 post offices in the region surpass the total number of branches of all banks combined (82,459). In addition, the region has a long history of governments leveraging their postal networks to distribute social payments and implement public policies.

In Eastern Europe, many Posts used to operate a postal bank that was subsequently spun off and sold. Conversely, the Posts of Azerbaijan and Kazakhstan have both established licenced postal banks in the last few years. In particular, the reform carried out in Azerbaijan, with support from the World Bank, has been very successful, with revenues more than tripling since 2008 and reaching the break-even point in 2015.

Overall, a limited number of Posts in the region offer account-based services, with only 15 million accounts held by Posts in the region. However, there is significant potential for that number to increase in the next few years with the launch of the Russian Federation's postal bank in partnership with VTB Group. A UPU study⁸ released in 2016 shows that the ECA region has the highest average potential for financial inclusion among all developing regions in the world.

Electronic services and other postal products and services

ICTs play a major role in the development of the postal sector and contribute significantly to the integration of postal networks. The region's postal operators provide a broad range of e-services, including hybrid mail and online postal services, which are increasingly popular.

There has been a strong development of e-post and e-government services in countries where the environment is favourable. Posts are well positioned to digitize government processes, which meets the growing interest of policy makers to use e-government to reduce the costs of providing services to citizens.

Many countries in the region have also started to focus on new services, such as the development of web shops. Furthermore, various Posts are exploring direct marketing services, to help businesses grow by deploying targeted campaigns.

⁷ <http://www.worldbank.org/en/news/feature/2013/10/02/migration-and-remittance-flows-in-europe-and-central-asia-recent-trends-and-outlook-2013-2016>

⁸ Clotteau N., Measho B. (2016) Global Panorama on Postal Financial Inclusion. Universal Postal Union. www.upu.int/uploads/tx_sbdownloader/globalPanoramaOnPostalFinancialInclusion2016En.pdf

Main trends and key findings

Postal services in the region are already under great competitive pressure, which requires them to develop and to adapt to new market conditions. This will require a paradigm shift towards the provision of new, high-tech postal products and services, in step with the times. Failing this, Posts run the risk of being outdone by competitors' products and services.

E-commerce in the ECA region increased by over 60% in 2013 (especially in Eastern Europe) compared with the previous year, while the business-to-customer (B2C) e-commerce turnover grew by 16.8% in 2014. In Russia, digital sales jumped more than 25% in 2014. Within Eastern Europe, Russia is by far the largest B2C e-commerce market, with an online B2C turnover of 19.9 billion EUR. With this, Russia is the fourth-largest e-commerce market in Europe. Ukraine ranks second in the Eastern Europe region, with online B2C sales of 2.3 billion EUR, followed by Romania with 1.2 billion EUR⁹.

As a consequence of these trends, in the past several years, the postal sector has undergone significant changes. New technologies make online shopping more convenient and therefore increase the number of packages and parcels delivered by postal operators. Increase in demand for international parcel products is also being driven by reduced trade barriers and the globalization of business and manufacturing generally. While parcel deliveries are increasing, letter volumes have fallen substantially. These trends require a different postal infrastructure as well as different skills and patterns of employment for employees.

In many areas, traditional physical postal and payment services have been replaced by electronic services such as e-mail, SMS, online banking, social media and other Internet platforms. Digitalization is also leading to a convergence of previously autonomous markets. While available in some countries, e-services, e-commerce and e-government (digital ID, payment of pensions, passport formalities, etc.) remain largely under-utilized, though Posts could play a central role when it comes to bridging the digital divide.

Postal financial services, and in particular electronic postal payment services, play an important role in many countries and should continue to grow in a number of countries. In addition to playing a strong role in payment services (remittances, bill payments, government payments), a number of Posts could get more involved in the provision of account-based services (current or savings accounts), either on their own or in partnership with other financial institutions.

The last important trend to underline is that, in part of the ECA region, the postal sector has been fully liberalized. This means that postal operators in the region have to adapt to increased competition and continue to offer services at affordable prices. Indeed, at least for EU countries, globalization is gradually eliminating borders between postal markets and Posts have to compete in an integrated market. Postal reform is under way, but is not yet complete in several countries. It is necessary to continue to promote and strengthen this reform in terms of governance and regulation in order to ensure a level playing field between all operators.

UPU intervention strategy for the 2017–2020 period

The postal sector needs to step up its contribution to growing the economies of the region. A strong, integrated three-dimensional postal network should become a key infrastructure, able to reduce the impact of the economic crisis and help strengthen countries' economies.

Taking into account all diagnoses and analyses carried out, the following areas of focus have been identified for the 2017–2020 cycle by the UPU, the region's countries, and partner organizations:

- Build a flawless postal network capable of keeping pace with the fast-moving global environment;
- Give priority to actions that will help increase the effectiveness of operational efficiency and e-commerce development;
- Support developments in the areas of communication, trade facilitation, electronic services, postal financial services and financial inclusion, new ICTs, supply chain management and sustainable development;
- Strengthen the postal sector's ability to foster the inclusion of populations, economic players and territories so that they are fully recognized and utilized by governments, development partners and international organizations;
- Strengthen the diversification of postal products and services.

The UPU development cooperation approach for the 2017–2020 period will be geared towards adapting to the new needs of the postal sector and the challenges faced by UPU members. It will have to take into account the importance of helping partner countries guarantee a universal postal service centred on quality, accessibility and security, as well as enabling them to face the new challenges of the international postal market. This cooperation will also take place in the context of

⁹ <https://www.ecommerce-europe.eu/news-item/eastern-european-b2c-e-commerce-turnover-grew-by-nearly-17-in-2014/>

limited resources, thus calling for not only innovative approaches, but also greater accountability on the part of all partners.

Based on all of the above, the development priorities below have been identified for the ECA region for the 2017–2020 cycle.

Improvement of operational efficiency and development of e-commerce

Aim of the project

The project dovetails with the UPU's strategic objective of helping postal operators become key players in e-commerce. To meet the challenges posed by the e-commerce market, the UPU must adopt a global and integrated approach based on a market and customer focus. For the 2017–2020 cycle, the UPU's main goal is to ensure the "operational readiness" of Posts for seamless cross-border e-commerce. The ultimate objective is to ensure that online merchants have adequate distribution infrastructure to develop their business.

The aims of the project are to address obstacles that prevent consumers from making online cross-border transactions, to help participating designated operators modernize operational processes, and to use all available standardized IT tools and end-to-end systems to implement operational solutions that meet e-commerce requirements. By improving end-to-end delivery performance and reliability, providing consumers with more visibility through EDI message exchanges, and establishing more customer-oriented solutions (delivery options, data capture at source, return solutions, simple customer services, etc.), postal operators will contribute to the continued growth of the e-commerce market.

What

By rolling out a series of training activities, modernizing processes and implementing state-of-the-art IT technologies, the project will ensure that Posts are in a position to address the needs of customers and e-retailers. For example, tracking tools will allow both customers and e-merchants to follow their shipments in real time. Tracking will also improve customs transit, e.g. by enabling compliance with international security standards. Additional tools will also allow clients to choose delivery locations and in some cases delivery schedules, giving them the flexibility that is expected nowadays. Lastly, processes will be developed to facilitate seamless product returns.

A particular emphasis will be placed on integrating the various links in the supply chain (transport companies, airlines, customs authorities, security agencies, postal operators, e-merchants) into end-to-end processes and IT tools with a view to maximizing the operational efficiency of cross-border e-commerce.

How

The project will be implemented by the UPU and postal operators in coordination with airlines, handlers, customs authorities and other project stakeholders through workshops, training, on-site surveys, organizational audits and twinning activities as part of a global four-year plan.

Postal sector reform and development

One of the UPU's objectives, as set out in the preamble to its Constitution, is to afford all the world's citizens access to communication services. To this end, it provides technical assistance to its member countries in order to ensure the smooth running of their postal sectors. For instance, it has developed an approach to help governments restructure their postal sectors by means of a coherent methodology based on national analyses and the specific realities of each country.

The responsibility for implementing postal sector reform lies directly with the countries, and decisions in this regard are made at the national level. For the 2017–2020 cycle, the UPU's role in the context of postal sector reform will primarily be to support countries that have launched transformation processes, namely by facilitating access to methodological tools and providing specialized experts.

The UPU will strengthen dialogue with governments and stress both the postal sector's new role in the societies and national economies of developing countries and the need to establish structured reform processes.

In the 2017–2020 cycle, the UPU's work in this connection will be guided by the following principles:

- Providing beneficiary countries with methodological tools for the different areas of postal sector reform;
- Establishing an integrated approach, including a policy to mobilize resources, at national and regional levels;
- Continuing to serve as a platform for the sharing of best practices in postal sector reform among UPU member countries;
- Strengthening capacity building at national and regional levels.

Development of financial services

According to the World Bank, in Europe and Central Asia, 51% of adults have a bank account. However, 97% of Posts in the region provide financial services and the postal network is larger than that of the banks, particularly in rural areas.

Postal money transfers

In this context, the UPU will carry out a series of activities to strengthen the contribution of Posts to financial inclusion in the region. In the early 2000s, the UPU developed the International Financial System (IFS), a money transfer tool that it makes available to Posts. In accordance with SDG 10c, which is to reduce to less than 3% the transaction costs of migrant remittances by 2030, the UPU helps Posts offer their customers secure and affordable services. Over 80 Posts currently use IFS, which was updated in 2013 for use on mobile devices and which can be managed remotely via cloud computing for Posts that do not have sufficient technical capacity.

The UPU will continue to develop this network through the following actions:

- Increasing the number of IFS users;
- Conducting on-site audits to improve quality of service and security;
- Deploying mobile solutions in countries with no such solutions in place;
- Implementing remote payment solutions in the area of e-commerce for unbanked customers.

Digitalization of financial services

In addition to its efforts in the area of money transfers, the UPU has also put in place a technical assistance fund to help Posts digitalize their financial services. At least 20 Posts will benefit from this programme in 2017–2020, with the goal of ensuring that the financial services offered by Posts (money transfers, bill payments, government payments, savings services, insurance, etc.) are available digitally. Assistance will be available in various areas:

- Defining an effective digitalization strategy;
- Implementing technological tools;
- Developing a digital ecosystem;
- Etc.

Contribution to the digital transformation of postal networks

Connected people: on average, eight in 10 individuals in the developing world own a mobile phone, and the number is steadily rising. Even among the bottom fifth of the population, nearly 70% own a mobile phone. However, Internet adoption lags behind considerably: only 31% of the population in developing countries had access in 2015, compared with 80% in high-income countries.

Connected businesses: Internet adoption has increased across businesses in all country income groups. Nearly nine out of 10 businesses in high-income OECD countries had a broadband Internet connection in 2014, compared with seven for middle-income and four for low-income countries. But adoption rates for technologies such as secure servers, enterprise networks, and e-commerce are much lower in most developing countries.

Connected governments: governments are increasingly going digital and, in comparison with the private sector, a greater share of government jobs in developing countries are ICT-intensive. However, according to the 2016 United Nations E-Government Survey¹⁰, only 60 countries have online services to register a business and 20 have multipurpose digital identification platforms.

ICTs are the backbone of sustainable economic growth. According to the World Economic Forum Digital Transformation of Industries 2016 report¹¹, the future of countries, businesses, and individuals will depend more than ever on whether they embrace digital technologies.

In 2012, the UPU launched the .POST project to define the role of the Post in the digital economy and to provide a platform for developing countries to access secure cloud-based services. At the end of 2016, 25 countries were already using .POST to offer secure Internet services. Through the provision of digital services, Posts play a major role in connecting people, businesses and governments. In addition, Posts are key contributors to target 16.9 of the SDGs, which aims to provide a legal identity for all.

¹⁰ United Nations E-Government Survey (<https://publicadministration.un.org/fr/Research/UN-e-Government-Surveys>).

¹¹ <http://reports.weforum.org/digital-transformation-of-industries/wp-content/blogs.dir/94/mp/files/pages/files/wef-digital-transformation-of-industries-2016-exec-summary.pdf>.

Digital postal services

In this context, during the 2017–2020 cycle, the UPU will carry out a series of activities to strengthen the contribution of Posts to digital inclusion.

Digital postal networks

- › Helping countries define an effective national Internet strategy that integrates the Post;
- › Increasing the number of countries using .POST;
- › Developing a digital ecosystem for postal services to consumers and businesses.

E-commerce platforms

- › Defining effective national e-commerce strategies leveraging postal capabilities;
- › Setting up e-commerce platforms in countries with no such solutions in place.

E-government services

- › Defining effective national e-government strategies leveraging postal capabilities;
- › Defining effective digitalization strategies;
- › Implementing technological tools.

Link with regional development agenda

The regional political bodies in the ECA region encourage national governments and the various stakeholders to take ownership of the SDGs and to pool efforts in order to facilitate the achievement of these goals by

the year 2030. This necessarily implies the existence of partnerships between governments, international and regional organizations, and other partners to create the synergies necessary to achieve the targets.

The priorities established by the UPU for the 2017–2020 cycle are aligned with both the SDGs and the development objectives of the relevant organizations in the region such as:

- the European Union, which has established, through the European Commission, the following programmes:
 - › European Commission’s Digital Agenda: forms one of the seven pillars of the Europe 2020 Strategy, which sets objectives for the growth of the EU by 2020. The Digital Agenda proposes to:
 - » better exploit the potential of ICTs in order to foster innovation, economic growth and progress;
 - » enhance the interoperability of devices, applications, data repositories, services and networks.
 - › European Neighbourhood Policy and Enlargement Negotiations: provides the tools to support reforms in the “enlargement countries” with financial and technical help. One of the main parts of the policy targets reforms within the framework of pre-defined sectors which cover areas closely linked to the enlargement



strategy, such as democracy and governance, rule of law, or growth and competitiveness. This sectorial approach promotes structural reform that will help transform a given sector and bring it up to EU standards. Below are some related priority areas within this policy:

- » Developing a sustainable economy through the liberalizing of trade for almost all goods and establishing cooperation in areas such as energy, transport and the environment;
- » Investing in human development in order to support people in addressing social needs by financing projects that help them meet challenges, such as fighting poverty;
- » Ensuring agricultural and rural development in order to contribute to sustainable rural development. The final goal is to ensure a smooth integration of the agricultural sectors of the enlargement countries with that of the EU, to the benefit of both farmers and consumers.

All EU policies mentioned above are fully aligned with the key priorities of the UPU for the 2017–2020 period.

- the Eurasian Economic Union, whose main purpose is to form and develop a common Eurasian economic space and ensure the freedom of movement of goods, services, capital and labour. The EAEU has approved the following programmes:
 - › Customs: development of advanced technologies within the common customs territory of the Union, such as the “single window” mechanism. It fosters cooperation with the World Customs Organization and other international specialized institutions, and the study and analysis of global best practices and advanced international developments aimed at the simplification of customs rules and procedures in the execution of foreign economic activity.
 - › Transport: formulation of a coordinated (agreed) transport policy of the member states of the EAEU aimed at ensuring economic integration and the consistent and gradual formation of a common transport space based on the principles of competition, transparency, security, reliability, availability and sustainability.
 - › Digitalization and ICTs: creation of a framework for collaboration in the establishment of new digital platforms, the identification and development of joint standards for accelerated digitalization, the formulation of standards for operation of the EAEU digital market, and the participation of SMEs in that market on common competitive conditions.

Here again, these policies match the priorities identified by the UPU and its partners for the 2017–2020

cycle on the topics of trade facilitation, e-commerce development, and the diversification of postal operators into e-services, including e-government.

- the Economic Cooperation Organization, whose goal primarily is to ensure sustainable development for member countries. Its objective is to establish a single market for goods and services:
 - › Progressive removal of trade barriers and promotion of intra-regional trade;
 - › Development of a transport and communications infrastructure linking member countries with each other and with the outside world;
 - › Economic liberalization and privatization;
 - › Realization of an economic cooperation strategy; and exchanges in educational, scientific, technical and cultural fields.
- Central banks and financial regulators from 17 countries in the ECA region met in Macedonia in 2015 under the auspices of the Alliance for Financial Inclusion. They adopted a declaration called the Skopje Consensus, which put forward the following elements, most of which are aligned with the relevant UPU priorities:
 - › Financial inclusion is a policy priority for the region;
 - › Expanding financial inclusion and improving access to quality financial services for the financially excluded population in the region will require innovative approaches to policy, regulation and advocacy. Consumer protection, financial literacy, SME finance and digital financial services are all areas of priority for financial inclusion in the ECA region;
 - › Systematic public-private dialogue is an important element to inform policy design and implementation.

A large number of priorities of regional organizations in the ECA region are aligned with those of the UPU, as well as with the Sustainable Development Agenda. Trade facilitation, sustainable development, e-commerce and financial inclusion are all common priorities.

During the 2017–2020 cycle, the challenge for the UPU will be to consolidate and reinforce agreements with organizations that are active in the region: United Nations agencies, regional postal organizations (PostEurop, RCC, CERP), international financial institutions, and other potential partners. Through the consolidation of such partnerships and the promotion of synergies among countries, regional organizations, and possible donors, the postal sector has the potential to contribute significantly to the achievement of the SDGs and to foster the socio-economic development of the region’s countries.



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