

Postal networks: actors in the Social and Economic Development of the Arab Region

Regional Development Plan 2017–2020
Development and Cooperation Directorate



UPU

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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 Arab 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 reinvent 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. Morocco is a noteworthy success story in this area. Indeed, Poste Maroc's banking subsidiary, Al-Barid Bank, today manages over six million accounts, opening 500,000 a year since its creation in June 2010. This has resulted in a nearly 20% increase in the rate of financial inclusion in Morocco in the space of five years.

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 West Africa:** 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.
- Emergency and reconstruction projects:** in 1991, as a result of civil war, Somalia was no longer able to exchange mail with the rest of the world. In 2013, the UPU, in cooperation with the Somali government, launched an ambitious programme to restart postal activity in the country. To that end, an agreement was signed with Emirates Post to allow Somalia's DO to receive mail from other countries. The UPU, via its Emergency and Solidarity Fund (ESF), financed a postal service reconstruction project for Somalia that enabled the Post to acquire basic necessary equipment and to train about 10 senior officials. The resumption of postal exchanges allowed the large Somali communities in other countries to reconnect with their families in Somalia and to take advantage of the re-opening of the Somali postal network to develop other activities, such as money transfers and e-commerce.
- Introduction of postal addressing systems:** the majority of Arab countries (in particular the Gulf states) do not have the postcode and addressing systems needed for the proper operation of postal services and, more generally, for the development of e-commerce. The Saudi Post, in cooperation with the UPU, developed a modern and efficient national addressing infrastructure using cutting-edge technologies. Piloted by the DO, this system, known as WASEL, was made available to all public or private partners wishing to make use of it. The national address system gave government and business entities the tools needed to improve their efficiency. It served as a catalyst for the growth in e-commerce, enabling various organizations to deliver their products by means of a database of consumers living in Saudi Arabia. The E-Mall service, developed by Saudi Post, uses the national address system to process and ship hundreds of orders on its e-commerce platform between merchants and consumers and vice versa. This project is clear proof that a national address system plays an important role in economic development. This postal addressing system, which follows the UPU's approach, has become a true national infrastructure and is today cited as an example in the Arab region and around the world as one of the best performing systems in the world.

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, behind banks but well ahead of microfinance institutions, which account for “only” 200 million customers, and mobile money operators, which have roughly 150 million active customers.

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, PHLPPost (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 ICT, and trade facilitation for SMEs in rural and under-served 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:

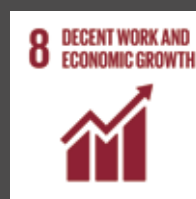
Achieve gender equality and empower all women and girls

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 MSMEs

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 at the end of 2016

Actions led in the Arab region during the 2013–2016 cycle

As part of the UPU's 2013–2016 cooperation policy for the Arab region, two major projects were implemented: one on quality of service, the supply chain and product development; and one on the development of electronic money transfer services.

Furthermore, in November 2015, the UPU opened a regional postal training centre in Tunis, Tunisia, which hosted training sessions and project implementation activities in the region.

Improvement of quality of service

In an effort to counteract the deterioration in quality of service noted in certain countries, DOs in the region received technical assistance and training to help them fully meet customer expectations in an ever-changing postal market. Within the framework of national action plans, the countries in the region were able to put in place the necessary procedures and share best practices to develop the supply chain (transport, customs, security, quality control and measurement, EDI exchanges, certification, etc.).

The overall results of the project in terms of quality of service were positive, with the majority of DOs in the region showing a clear improvement in the quality of their postal services. Of the 21 countries in the region, 20 now have a track-and-trace system in place (Somalia will introduce one shortly) and 17 offer an express mail service that meets global standards.

Improvement of the electronic money transfer network

The UPU helps member country Posts offer reliable, secure and affordable money transfer services. As of 2012, the majority of Arab countries in Africa (Algeria, Djibouti, Egypt, Mauritania, Morocco and Tunisia) were already offering such services. A large-scale project carried out in the 2013–2016 cycle saw the launch of a major initiative in the Gulf subregion (Oman, Qatar, Saudi Arabia and United Arab Emirates), the countries of which have enormous potential in this area.

The contribution of these new countries will be a crucial factor in the development of money transfer services in the region and with the rest of the world. The result should be a decrease in the cost of migrant remittances, in line with international objectives.

Other regional and national projects

A number of capacity-building activities aimed at postal staff in the region were implemented:

- A total of 12 regional thematic workshops were organized involving around 200 participants. The goal of the workshops was to train postal officials and transfer know-how on various topical postal issues, such as express mail, marketing, sustainable development, addressing, and so on.
- In the region, three countries received support in reforming their postal sector, with a focus on establishing a sector policy, adapting the regulatory framework, and relaunching the national operator.
- National projects were launched in five least developed countries in the region in order to modernize their business offerings, improve quality of service and delivery, strengthen security, and build train-the-trainer capacities.



Situation of the postal sector in the Arab region in 2016

Strengths and weaknesses of the postal sector in the region

On the basis of the UPU's Integrated Index for Postal Development (IIPD)⁶, the postal sector's reliability⁷ is the Arab region's only strength. However, despite the efforts undertaken in recent years, further and more concerted action needs to be taken to improve quality of service.

In terms of postal sector weaknesses in the region, the following should be noted:

- **Reachability⁸:** the countries in the region need to make efforts to consider how well they are interconnected with the other UPU member countries through their respective postal networks. This means that the countries in the region need to develop new logistics corridors with as many countries as possible, which will strengthen their potential as stakeholders in the areas of e-commerce and international trade.

- **Relevance of the postal economic model:** it would seem that the postal business model in the region is not suited to the market, as reflected by the low demand for the services offered and/or by the failure to achieve the economic and inclusion targets set by governments.
- **Resilience of the postal economic model⁹:** the ability of postal entities in the region to transform remains weak in an environment that is generally unstable and facing fast-paced change.

These findings reveal that the traditional strengths of the postal sector, that is, the size of the network and its proximity to populations, have become weaknesses as a result of the fact that the services offered have not evolved to align with customer expectations and the direction of government policy. However, the efforts made in recent years by some countries in the region to improve quality of service and diversify product offerings are proof that the postal sector in the region can quickly transform itself into a commercially, financially and socially viable sector.

⁶ The UPU's Integrated Index for Postal Development (IIPD) is a composite index that relies on dozens of sources of information. The index is used to compare the performance of DOs around the world in four main areas: reliability, reachability, relevance and resilience.

⁷ The postal service reliability index comprises a number of criteria measuring end-to-end transmission times combined with other measurements and quality targets and standards in each country.

⁸ The reachability index measures a Post's level of international interconnectivity with the Posts of all UPU member countries. The more a Post engages with other Posts, the more significant connectivity becomes, resulting in a more positive reachability index.

⁹ The resilience of the economic model is measured by examining how well postal services would fare in an environment marked by economic uncertainty and volatility, and how they would be able to adapt to rapid technological shifts.

A crisis in traditional mail, offset in part by e-commerce growth

Letter post in the Arab region is undergoing a structural crisis, which can be seen in the significant, steady fall in the volume of mail handled. Between 2014 and 2015, there was a significant decrease in domestic volumes (-19.7%) and international volumes (-5.3%).

However, as in the rest of the world in recent years, the Arab region has seen an increase in e-commerce, which has become one of the key drivers of postal sector development and which has led to strong competition domestically and internationally.

Indeed, according to a study by Payfort¹⁰, e-commerce spending in the Arab region totalled 14 billion USD in 2014 and is expected to total 20 billion USD by 2020, a faster rate of growth than in other regions around the world. In Arab countries, the purchase of goods and services has increased by 45% a year, in comparison with 20% in Europe and 35% in Asia.

Financial inclusion and money transfers

Revenue from postal financial services in the Maghreb countries and Egypt is very high, representing more than 50% of the Posts' turnover. Financial services account for the good performance results enjoyed by Posts in that part of the Arab region.

Judging by the volumes of money transfers, this sector holds great potential for the Arab region, and Posts could play an important role in the region's economic development.

Conditions for growth in this sector are extremely favourable, owing to the low level of bank use (14%)¹¹ and the fact that both emigration and immigration make the Arab region a major source and recipient of money transfers. The Gulf states (Bahrain (Kingdom), Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) and Libya are major sources of money transfers to other developing countries, including other countries in the Middle East and North Africa region. The other countries (Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Mauritania, Morocco, Palestine, Somalia, Sudan, Syrian Arab Rep., Tunisia and Yemen) have high rates of emigration, so are more often the recipients of transfers.

This significant potential in terms of experience in money transfer services could be leveraged to help the postal sector play an even larger role in the financial inclusion of populations. The development of account, savings, e-banking, insurance and other financial services via the postal network would significantly increase the level of bank use in the region.

Intervention strategy for the 2017–2020 cycle in the Arab region

Given the current situation, the UPU and its member countries in the region have identified the following intervention priorities 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.

¹⁰ Payfort, May 2015. http://marketing.payfort.com/mailshots/08_PAYFORT_report/?utm_source=Payfort&utm_medium=lp&utm_campaign=payment+-+report&utm_content=Wamda

¹¹ http://www.upu.int/uploads/tx_sbdownloader/globalPanoramaOnPostalFinancialInclusion2016Fr.pdf

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.

Significant disparities exist among the 21 countries in the Arab region in the context of this project. Aside from the differing levels of development (six wealthy countries, nine middle-income countries and six least developed countries), they have all been affected in different ways by major crises over the past few years: financial, political, migratory and security. This situation will surely have an impact on project implementation since the requirements of the countries vary, from the need for complete reconstruction to simply a need for guidance and organizational support.

Development of financial services in the Arab region

Contribution to the postal financial inclusion of populations through the postal network

According to the World Bank¹², in the Arab region, only 14% of adults have a bank account. However, the postal network is large and the number of post offices totalled 14,843 in 2014, offering a real opportunity for financial inclusion development in the region. This is already in evidence in a number of countries where the Post makes a substantial contribution in this regard: in Egypt, the Post has over 22 million accounts; in Algeria, over 20 million; and in Tunisia, over 5.5 million. In Morocco, the postal bank has opened over 500,000 accounts a year since its creation in 2012, primarily for middle- and lower-income citizens.

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.

For the 2017–2020 period, 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:

¹² Demircuc-Kunt, A., Klapper, L., Singer, D., and Van Oudheusden P. (2015) The Global Findex Database 2014: Measuring Financial Inclusion around the World. Policy Research Working Paper 7255, World Bank, Washington DC.

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

Postal sector reform and development in the Arab region

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.

Diversification of the service offering in the Arab region

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 Survey¹³, 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 report¹⁴, 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.

¹³ <https://publicadministration.un.org/en/Research/UN-e-Government-Surveys>

¹⁴ <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.

Creating resilient postal networks

According to the Third United Nations World Conference on Disaster Risk Reduction, held in March 2015, between 2005 and 2014, more than 1.5 billion people were affected by disasters in various ways and the total economic loss was more than 1.3 trillion USD.

The postal sector has also been severely affected by disasters, which have caused destruction and interrupted services. However, some examples emerging from these events have shown that the Post can be a key player in disaster response, such as by serving as a logistics infrastructure and a distribution point for emergency supplies and money transfers in affected areas, and by providing a basic means of communication when no other system is available.

Given the achievements of disaster risk management (DRM) activities during the Doha cycle, the importance of building postal networks' resilience to natural disasters, and the benefits for member countries of enhancing the role postal operators can play in pre- and post-disaster situations, the UPU will conduct specific capacity-building and technical assistance activities, and in particular will:

- provide support, particularly to designated operators of developing and least developed countries, through dedicated training modules and technical assistance projects. These will be based on a specific methodology in order to provide the best level of assistance to postal operators and relevant authorities in the implementation or improvement of DRM policies and business continuity planning;
- implement a specific certification process which will allow postal operators to improve their DRM approaches and benchmark their level of implementation in the framework of the UPU DRM guide;
- disseminate, at the country level, the UPU DRM guide, which is a practical tool that sets out all the necessary steps for postal operators to implement a DRM approach at all levels of the postal organization;
- share best practices among Posts through communication platforms and regional workshops and seminars.

Link with regional development agenda

The challenges of achieving the economic integration desired by Arab countries necessarily involves encouraging trade between these countries, which have many assets in this area.

Improved access to regional goods and services markets

The United Nations Economic and Social Commission for Western Asia (ESCWA), in its 2015 evaluation report entitled “Assessing Arab Economic Integration: Towards the Arab Customs Union”¹⁵, recognized the importance for the countries in the region to speed up the process to harmonize national legislation and regulations and operational procedures in order to improve access to regional goods and services markets.

To that end, the project to create a customs union will make it possible to expand intra-regional trade and will benefit both suppliers and consumers. Thus, the objectives of the countries in the region align with the UPU’s objectives in the area of trade facilitation and e-commerce development.

This is confirmed by the 2015 ESCWA “Trade Facilitation and Paperless Trade Implementation Survey”¹⁶, which presents data on trade facilitation and e-commerce implementation.

The survey covers not only the implementation of general trade facilitation measures, but also more advanced ICT-based trade facilitation measures aimed at making data and documents needed to support trade transactions flow seamlessly among stakeholders.

The report also points out that, while trade facilitation activities in Arab countries are mainly based on measures implemented at the national level, more attention should also be paid to measures designed to coordinate trade facilitation among the countries in the region. This is vital to the development of trade logistics across the Arab region and, therefore, to the integration of Arab countries in global and regional value chains, as disparities in trade facilitation implementation can lead to regional bottlenecks, thereby hindering trade. The postal sector in the region could make an important contribution to resolving this issue.



¹⁵ <https://www.unescwa.org/publications/assessing-arab-economic-integration>

¹⁶ <https://www.unescwa.org/publications/trade-facilitation-paperless-trade-implementation-survey-2015>

Financial inclusion: strong development potential

According to the World Bank's Global Findex¹⁷, the Arab region has the lowest banking rate in the world, at only 14% for 2014. The region has the lowest rate of account holders among the general population and among the poorest households. Furthermore, with a 9% financial inclusion rate for women (compared with 19% for men) and a rate of 8% for young adults, the gaps relating to gender and age remain quite significant.

Similarly, the Arab Monetary Fund (AMF)¹⁸, in its 2015 report, noted the importance of implementing national strategies to encourage the financial inclusion of Arab populations. The report refers to the studies it commissioned on this matter, which highlight the actions to be taken to achieve financial inclusion objectives. Such actions include encouraging public financial institutions such as Posts, savings and development banks, and pension funds to adapt their legislative and regulatory frameworks and modernize their networks to facilitate people's access to quality, affordable and secure financial services. The report also emphasizes the need to provide these financial services in the most remote, disadvantaged areas.

These findings by the World Bank and the AMF are fully consistent with the UPU's objectives in the area of financial inclusion and with the capacities of Posts in the Arab region. Implementation of the UPU's regional development plan (RDP) for the Arab region will thus support the Posts in the region in further developing the financial services offered to their citizens and in using the postal network to offer disadvantaged populations innovative, high quality, affordable financial services that meet everyone's needs.

Conclusion

The UPU's RDP for the Arab region addresses key concerns in the region. In this context, the Council of Arab Ministers responsible for the postal sector has warmly welcomed the UPU's policy on the regionalization of cooperation and the taking into account of the key challenges in the region. This sentiment is backed up by the full alignment of UPU priorities with those of the Arab Permanent Postal Commission (APPC), a specialized agency of the League of Arab States. The APPC's involvement in implementing the RDP in the field, monitoring it and evaluating its impact will ensure that the RDP is properly supported by regional authorities.

Arab regional political entities encourage the various stakeholders to work towards achieving sustainable development objectives and to combine efforts in order to facilitate the achievement of those objectives by 2030. This can only be accomplished by means of partnerships between governments, regional and international organizations, and other donors in order to create the synergies needed to achieve the set objectives.

The UPU will thus need to strengthen regional partnerships with the bodies of the League of Arab States and other organizations working in the region (United Nations agencies, international financial institutions, and other donors) in an effort to reinforce and promote the value of the postal sector in improving countries' socio-economic development.

¹⁷ <http://datatopics.worldbank.org/financialinclusion/region/middle-east>

¹⁸ <http://www.amf.org.ae/sites/all/libraries/pdf.js/web/viewer.html?file=http://www.amf.org.ae/sites/default/files/econ/annual%20reports/%5Blanguage%5D/Annual%20Report%202015.pdf>



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