

Postal networks: actors in the Social and Economic Development of Latin America

Regional Development Plan 2017–2020
Development and Cooperation Directorate



UPU

UNIVERSAL
POSTAL
UNION

Table of contents

Postal sector contribution to socio-economic development	7
Posts in the 21st century	7
A three-dimensional network: physical, electronic and financial	7
Posts by numbers	9
Universal service and social role	9
Economic impact of postal activity	10
The UPU as a driver of sector development	10
Overview of the UPU	10
Technical cooperation at the UPU	11
Examples of UPU projects	12
Postal sector contribution to the implementation of the Sustainable Development Agenda	13
The postal sector and socio-economic development in Latin America in the 2017–2020 cycle	19
Regional analysis of the actions carried out during the 2013–2016 cycle: analysis of the situation in the region at the end of 2016 and short-term trends	19
Actions carried out in Latin America during the 2013–2016 cycle	19
Analysis of the situation in the Latin America region at the end of 2016	21
Short-term trends in Latin America	21
Intervention strategy in Latin America for the 2017–2020 cycle	22
Improvement operational efficiency and effectiveness and developing e-commerce	22
Contribution to the digital transformation of postal networks	22
Implementation strategy for postal sector reform in 2017–2020	23
Contribution to the digital transformation of postal networks	24
Create robust postal networks	24
Link to regional development agendas in Latin America	26
Conclusion	26

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 Latin America 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.



Bishtar 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.), its impact on the country's economic growth will be all the more positive.

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 two million points of contact around the world, not including mailboxes 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 inclusion:² 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, http://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 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 eMarketer,³ 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 1 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 to 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 and using the postal network perfectly illustrates 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 get 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 studies,⁴ 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 plays a coordinating, advisory and even regulatory role. 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, regional and national 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 XXI Century?*

Technical cooperation at the UPU

The postal sector is a universal network. This is the basis for the concept of the single postal territory, 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 and ensure a better understanding of the business models adopted by different operators. In recent years, one of the key areas of focus has been the use of 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 to reform 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 at two levels. At a global level, the UPU establishes standards, develops services and defines procedures to be applied internationally. This provides a framework for designated operators to fully play their part as key stakeholders in the e-commerce supply chain. The UPU also intervenes at national and regional level 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 100 countries received training and technical assistance in the areas of security, customs, quality of service and/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 between 30% and 50%, which helped migrants and their families, who are the recipients of these remittances.
- **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 April 2016 in Ecuador, an earthquake

hit the north-eastern part of the country, leaving 720,000 people in need of assistance and severely affecting the postal network. In all three cases, the UPU, through its Emergency and Solidarity Fund (ESF) and the contributions of certain UPU member countries and restricted unions, provided Posts in those countries with vital assistance, not only re-establishing service (reconstructing a sorting centre and post offices, procuring vehicles and reconnecting offices to the Internet network), but also rebuilding infrastructure in accordance with the appropriate standards to make the network more resilient. 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 events.

- **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 landline 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 legal system. This means that many of them do not have clearly identified addresses, which prevents them from accessing a range of 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 deliveries from the Post and many merchants.

Postal sector contribution to the implementation of the Sustainable Development Agenda

The 17 Sustainable Development Goals (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 global presence of Posts make them a potential strategic driver of the sustainable development programme. 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 playing a key part in fighting poverty and fostering development for all.

Today, 91% of Posts worldwide offer financial services, including domestic and international money transfer 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 in a variety of different contexts:

- The Brazilian Post was a pioneer of the banking agency model in the early 2000s, with 10 million accounts opened over a 10 year period, mostly for unbanked or underbanked people.
- The Moroccan Post now provides accounts to around 20% of the country's population, mainly 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, around 350,000 USD, to more than 6 million victims of the disaster.



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 particularly 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, logistic 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 in rural and under-served areas.

Posts assist local small-scale producers to develop 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:

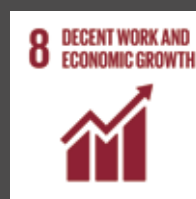
Achieve gender equality and empower all women and girls

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

Promote the formalization and growth of micro, small and medium-sized enterprises, 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 (target 8.10)



SDG 9:

Build resilient infrastructure for all, 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)

Significantly 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 (CGAP), 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 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 channels 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 provider of fund transfer services

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 M. Zhang y Z. Liu, Postal Savings Bank of China: Inclusive Finance in Rural China, CGAP, 2014.



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 adopting a coordinated 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 impact

Strengthen resilience and adaptive capacity to natural disasters in all countries (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 natural disaster risks and the aftermath of the catastrophes, and in improving the resilience of local communities. More and more Posts are implementing disaster risk management and resilience programmes in order to be better prepared and thus better able to meet the needs of all the population.

Mitigating the environmental impact of postal activities is high on the agenda of a growing number of Posts, not only in industrialized parts of the world, but also in 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, for example, 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. This enables 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 key enablers of trade

Posts are playing an ever-greater role in trade facilitation, 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 the case in Latin America, where trade facilitation programmes developed by Posts in cooperation with the relevant national authorities and the restricted postal union have been a success. In Ecuador, where such a programme has been implemented by the Post, the value and volume of exports from MSMEs through this channel have more than tripled in two years.

The postal sector and socio-economic development in Latin America in the 2017–2020 cycle

This final part of the regional development plan takes an overview of the sector in 2016 and the role the postal sector can play in supporting the social and economic development of the countries in the region. This part is divided into three sections: 1) Regional analysis of the actions carried out during the 2013–2016 cycle: analysis of the situation in the region at the end of 2016 and short-term trends; 2) Main areas of intervention in the region; and 3) Relationship to the regional development priorities and agendas.

Regional analysis of the actions carried out during the 2013–2016 cycle: analysis of the situation in the region at the end of 2016 and short-term trends

Actions carried out in Latin America during the 2013–2016 cycle

Reform and modernization of the postal sector

A well-organized and efficiently run postal sector is a driver of communications, economic and social development for the country's citizens and businesses. The governments of the UPU member countries are responsible for launching the postal sector reform and modernization process in order to ensure:

- Provision of the basic postal service to which the population is entitled but which, owing to the lack of resources in the region, is not always considered a fundamental right;
- Compliance with the regulations to maintain healthy market competition.

During the 2013–2016 cycle, the UPU spurred efforts to drive forward the following means of achieving success:

- Support to governments in the launch of postal reform initiatives;
- Technical and theoretical impetus for promoting the acquisition and transfer of knowledge (experts, methodological tools and sharing of good practices in order to develop a clear roadmap for postal reform);
- Mobilization of resources to guarantee the implementation of reform, such as training, and technical and technological investment by governments to modernize the postal services and operations of designated operators.

Financial inclusion and remittances

Financial inclusion means the provision of basic financial services (savings, payments, transfers, insurance, credit) to those without access to banking services. As a platform for information and technical assistance to the postal sector, the UPU helps its member countries introduce and/or develop sustainable and inclusive financial services.

An example of this is the Correogiros electronic money-transfer project, which facilitates coordination between the network's nine Latin American countries.⁶ Considerable progress has been made in developing the e-mail network in the region in order to promote the service to other operators, thereby helping the inhabitants of the most remote rural areas to access remittance services, while significantly cutting the associated transfer costs.

Strengthening the supply chain

In a number of countries in the region, the lack of standardized, monitored processes and adequate quality management has contributed to the deterioration of the services provided by designated operators. In order to strengthen the provision of basic postal services while also promoting a platform for the development of innovative services such as e-commerce and postal exports, the UPU carried out a number of activities between 2013 and 2016. These activities were undertaken in cooperation with the region's restricted union, the Postal Union of the Americas, Spain and Portugal (PUASP), which co-financed the work:

⁶ Correogiros member countries: Argentina, Chile, Colombia, Cuba, Dominican Republic, Ecuador, Paraguay, Peru and Uruguay, not forgetting Spain, which is an essential partner in money transfers to and from Latin America.



- Carry out operational audits;
- Map the main postal processes to promote their standardization;
- Formulate quality action plans to improve services and increase mail and parcels volumes handled by the designated operator;
- Finance teams of consultants and consultancy missions to develop the postal network;
- With the support of regional experts, develop practical guides and manuals that are easy to use and apply in order to improve services.

Given the highly specialized technical content of the postal business, a key element of quality of service is continuous staff training. To this end, the Regional Postal Training Centre was created at PUASP head-quarters in 2014 to provide a base for training in the various operational and service areas of the Post. Since it started operating, the Centre has trained 1,135 people. Of this number, 181 attended the Training Centre, and 954 were trained through the multiplier effect.

Sustainable development and risk management

Sustainable development activities carried out between 2013 and 2016 were organized around the three pillars of development (environmental, social and economic), and showed very promising results. 2016 saw the launch of an initiative with 12 of the region's countries. Its aim was to promote the acquisition of conventional and electric bicycles as a healthy and environmentally-friendly means of transport for conducting postal operations. A parallel element of the project was to measure this initiative's impact on sustainable development, by periodically compiling and analyzing statistics to feed in to economic, social and environmental indicators. Based on the results obtained, it may be decided to reproduce this initiative on a larger scale in other countries and regions of the world.

The earthquake which struck Ecuador in April 2016 provides a concrete example of risk management actions: at the height of the crisis, the postal network provided support for the government-driven relief and rehabilitation efforts, which led subsequently to the launch of a project to ensure the restoration of operations in post offices in the areas affected by the earthquake.

Analysis of the situation in the Latin America region at the end of 2016

Governments in Latin America are increasingly aware of the relevance of the postal sector as a factor in economic development and in communications, social and financial inclusion in their respective countries. In most of the countries in the region, the State is therefore willing to support initiatives to promote the development of postal services. As the majority of the designated operators providing postal services are government entities, either independent or attached to a ministry, the government's willingness to work with the UPU can reap rich rewards.

However, there are wide disparities across the region in terms of levels of management, planning, technological support and standardization of operations. Significant differences exist in the extent of coverage and in the quality and efficiency of the services provided. Although some countries have planning and management structures organized at national level, there remains more to be done in this field.

Financial and management weaknesses, as well as shortcomings on the structural and operational side, are exacerbated by a lack of investment in the sector. This creates a vicious circle of lack of investment and poor results, with no recognition of the sector's true potential as an infrastructure for economic development and a factor in social and financial inclusion.

The region's designated operators are keen to acquire the means and tools to respond to their customers' needs. The last 10 years have seen rapid growth in postal demand for the flow of products relating to e-commerce, and an increasing need for a robust logistics chain and broad coverage of financial services.

For historical reasons, postal operators in some Latin American countries do not include financial services among their traditional range; they are, however, beginning to offer them. According to UPU data for 2016⁷, 89% of the region's operators currently offer financial services. They are using this product as an opportunity for improvement in the years to come, for example by devising partnership strategies with local or regional banks.

Short-term trends in Latin America

The development of new information technologies has affected the region's postal services, which have been eclipsed by the immediacy and innovation of the new forms of communication. However, the e-commerce era also offers the sector the opportunity to take back its dominant position.

According to statistics processed by the UPU, Latin America has seen a steady fall in the number of letter-post items over the last 23 years (1991–2014), in line with the global trend (-2.9% across the region compared with -1.4% in the industrialized countries). However, as a result of the increase in e-commerce transactions, the average weight of items has increased, as has the number of parcels sent. According to figures for 2014, the regions of the world with the greatest increase in parcels volumes are Latin America and the Caribbean (+18% in the domestic service and +7% internationally). The region has seen a significant increase in designated operators' revenue from parcels and the provision of logistical services, from 8% in 2004 to 22.7% in 2014.

The global trend indicates a steady rise in designated operators' revenue from the parcels service, mainly as a result of the growth of e-commerce activities; meanwhile, letter-post revenue is falling. Similarly, other postal business, such as financial services (remittance, payments, insurance) and e-services are gaining ground as new lines of income-generating business.

⁷ Global Panorama on Postal Financial Inclusion, Universal Postal Union, 2016.

Intervention strategy in Latin America for the 2017–2020 cycle

Growth trends in parcels markets resulting from the increase in e-commerce, the need for online businesses and purchasers alike to have comprehensive logistical services (dispatch, distribution, delivery and return of goods) and the incorporation in government priorities of trade facilitation, economic development and inclusion make the postal sector more relevant than ever. In response to these new needs, the UPU has developed an intervention strategy for the region, focused on the following four areas:

Improvement operational efficiency and effectiveness and developing 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 aim 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 missions, organizational audits and twinning activities as part of a global four-year plan.

Contribution to the digital transformation of postal networks

According to the World Bank⁸, only 51% of the adult population in Latin America has access to banking services. However, financial services are offered by 89% of the region's Posts, most of which are developing strategies to expand their range of services. Within this framework, several postal operators in the region have great potential to contribute to financial inclusion for their citizens, possibly through partnerships with banking institutions.

⁸ Demircuc-Kunt, Klapper, Singer & Van Oudheusden, 2015, "The Global Findex Database 2014: Measuring Financial Inclusion around the World". Policy Research Working Paper 7255, World Bank

Postal money transfers

In this context, during the 2017–2020 cycle, 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 10.c, 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:

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

Implementation strategy for postal sector reform in 2017–2020

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.

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 Survey⁹, only 60 countries have online services to register a business and 20 have multipurpose digital identification platforms.

ICT is a pillar of sustainable economic growth. According to a 2016 World Economic Forum report on the digital transformation of businesses¹⁰, the future of countries, businesses and individuals will depend more than ever on their adoption of digital technologies.

In 2012, the UPU launched the .POST project, the aims of which are to define the role of Posts in the digital economy and to provide developing countries with a platform for accessing secure cloud-based services. At the end of 2016, 25 countries were already using .POST to provide secure Internet services. Thanks to the provision of digital services, Posts are playing an important role in connecting people, businesses and governments. They are also contributing significantly to the attainment of United Nations Sustainable Development Goal 16, target 9, which aims to provide a digital identity for all.

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

- Help countries to define effective national Internet strategies involving Posts;
- Increase the number of countries using .POST;
- Create a digital ecosystem for postal services for consumers and businesses.

E-commerce platforms

Define effective national e-commerce strategies that leverage the capacities of Posts.

Introduce e-commerce platforms in countries without such solutions.

E-government services

- Define effective national e-government strategies that leverage the capacities of Posts;
- Define effective digitization strategies;
- Implement technological tools.

Create robust postal networks

According to the Third United Nations World Conference on Disaster Risk Reduction, held in March 2015, more than 1.5 billion people were, in some form or another, victims of natural disasters between 2005 and 2014, representing total economic losses of more than 1.3 billion USD.

The postal sector was also severely affected by natural disasters that caused destruction and disrupted services. However, Posts can play a key role in disaster response, e.g. by providing logistical infrastructure and distribution points for emergency supplies, money transfer services in affected areas and a basic means of communication when all other systems are unavailable.

⁹ <https://publicadministration.un.org/en/Research/UN-e-Government-Surveys>

¹⁰ <http://reports.weforum.org/digital-trahttp://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>

Link to regional development agendas in Latin America

The priorities set by the UPU for the 2017–2020 cycle are in line with both the SDGs and the development goals of the relevant organizations in the region, which include:

- The member countries of the Economic Commission for Latin America and the Caribbean (ECLAC), which established its priorities and work programme (including 14 sub-programmes) for the next biennium under the title Horizons 2030: Equality at the Centre of Sustainable Development at its 36th round of sessions. Among its priorities, the following are particularly noteworthy:
 - › *Sub-programme 1:* Linkages with the global economy, integration and regional cooperation;
 - › *Sub-programme 2:* Production and innovation, strengthening SMEs and including them in international trade;
 - › *Sub-programme 5:* Social development and equality; this can be linked to financial inclusion and improving the quality of government services.
- The digital agenda for Latin America and the Caribbean (eLAC 2018) approved by the 5th Ministerial Conference on the Information Society, of which a key objective is the productive development and innovation objective, focusing on promoting access to the digital economy for SMEs.

- The Regional Digital Strategy for the Development of the Information and Knowledge Society, endorsed by SICA (Central American Integration System) in June 2014. Its key objectives include:
 - › the importance of promoting economic integration linked to SME development and the facilitation of e-commerce;
 - › social integration and the fight against poverty; fostering access to and use of technology for the overall improvement of people's lives and as a basis for democracy, social justice and progress.
- MERCOSUR, which focuses its efforts mainly on promoting the growth of e-commerce among its member countries.
- FOCEM, the Mercosur Structural Convergence Fund, which promotes projects relating to e-commerce facilitation and social and financial inclusion aimed at fostering competitiveness and social cohesion.

Given the priorities of the Latin American regional organizations, various stakeholders have adopted goals in common with those of the UPU and the SDGs, including sustainable development, e-commerce and financial services. They are also boosting joint efforts to reach agreements enabling these goals to be met in the medium and long term.

Conclusion

By consolidating partnerships and promoting synergies among the countries and organizations of the region, the postal sector and potential donors are mobilizing efforts to contribute effectively to the achievement of common goals.

Therefore, the challenge for the UPU during the 2017–2020 cycle will be to strengthen agreements with regional bodies and other organizations involved in the region (UN agencies, the restricted postal union (PUASP), international financial institutions, other potential donors, etc.) in order to optimize the postal sector's contribution to the socio-economic development of the countries in the region.



UPU | UNIVERSAL
POSTAL
UNION

UNIVERSAL POSTAL UNION

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

Tel: +41 31 350 31 11
E-mail: info@upu.int