

Hans Kok Business Consult BV



Interim Report

Submitted to

African Union Commission



African Union
a United and Strong Africa

Consultancy services on elaboration of a model and guidelines on

Universal Postal Service (UPS) for Africa

With support of European Union

Procurement No.: 32/IED/11

Date of submission

25 February 2012

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1. ACRONYMS

ABC	Activity Based Costing
AGDP	ACTION GROUP FOR POSTAL DEVELOPMENT
ATM	Automated Teller Machine
AU	African Union
AUC	African Union Commission
CCP	Centre Cheques Postaux
CEP	Courier, Express and Parcels
COMESA	Common Market for Eastern and Southern Africa
COPTAC	Conference of Posts and Telecommunications of Central Africa
CPAO	Conférence des Postes de l’Afrique de l’ouest
CRASA	Communication Regulators’ Association of Southern Africa
D+3	Day of delivery 3 days after posting
D+5	Day of delivery 5 days after posting
DG	Director General
DPO	Designated Postal Operator
DRC	Democratic Republic of Congo
EC	European Commission
ECA	Economic Commission for Africa
ECOWAS	Economic Community for West African States
EMS	Express Mail Service
EU	European Union
GDP	Gross Domestic Product
HRM	Human Resources Management
ICT	Information and Communication Technologies
IPDP	Integrated Postal Development Plans
IPS	International Postal System
ISP	Internet Service Provider

IT	Information Technology
ITU	International Telecommunications Union
LAC	Latin America and Caribbean
LDC	Least Developed Country
NPS	Nairobi Postal Strategy
NRA	National Regulatory Authority
OAU	Organisation of African Unity
PAPU	Pan African Postal Union
PIT	Public Internet Terminal
PO	Post Office
QoS	Quality of Service
RIDP	Regional Indicative Development Plan
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAPO	South Africa Post Office
SAPOA	Southern Africa Postal Operators Association
SAPRA	Southern African Postal Regulators Association
SWOT	Strengths, Weaknesses, Opportunities and Threats
UA	Universal Access
UK	United Kingdom
UN	United Nations
UPS	Universal Postal Service
UPU	Universal Postal Union
USA	United States of America
USO	Universal Service Obligation
WTO	World Trade Organisation

2. Background to Interim Report

In November 2011 The African Union Commission (AUC) awarded its study “Consultancy services on elaboration of a model and guidelines on Universal Postal Service (UPS) for Africa” to Hans Kok Business Consult BV in The Netherlands. The consultant started work on 22 November 2011 with the first “launching” meeting with African Union staff at AU Headquarters in Addis Ababa, Ethiopia.

The Study was implemented by:

- Hans Kok, Senior postal consultant and Director Business Consult BV –The Netherlands¹
- Graeme Lee, Senior postal consultant

2.1. Terms of Reference for the Study

The Terms of Reference² for the Study elaborate the importance of the Universal Postal System for Africa: “Besides the social and economic role it plays in a country, the Universal Postal System endowed with a modern system, offers a variety of services, which range from its main mission of mail transportation and delivery, to intermediary functions for services requiring the most elaborate information and communication techniques. The Post generates important annual incomes worldwide. In many African countries, the postal system contribution to the development of national economies remains limited due to internal and external ills in the sector, limited investments, outdated equipment, and human resources not well prepared for new challenges. The result is that the economic growth observed in the continent has not been matched by growth in postal traffic”

2.1.1. African Union rationale for postal sector development

One of the main objectives of the African Union relevant to the postal sector is the Treaty establishing the African Union Community agreed on June 3rd 1999 in Abuja in Nigeria as it acknowledges the economic integration of the Continent to be a pre-requisite for the realization of the objectives of the Organization of African Unity (OAU), the predecessor of the African Union Commission (AUC).

The **Abuja Treaty** further indicates:

- that efforts are already made in sub-regional and regional sectoral economic cooperation which are encouraging and justify a larger and fuller economic integration;
- that the strive for unity indicates the need to share, in an equitable and just manner, the advantages of cooperation among Member States in order to promote a balanced economic development in all parts of the Continent;

More recently the importance of more cooperation and eliminating exchange and trade barriers between African countries has been subject of the summit "**Boosting Intra-African Trade**"³

- As an important engine for development, economic growth and integration, Intra-African Trade should increase from the current rate of 10-12 % to 20-25% in the next decade.

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² ToR in RFP Consultancy services on elaboration of a model and guidelines on Universal Postal Service (UPS) for Africa, August 2011.

³ EXECUTIVE COUNCIL Twentieth Ordinary Session 23 - 27 January 2012 and 18th Summit “Boosting Intra-African Trade” 29 and 30 January 2012 in Addis Ababa, Ethiopia

- Boosting intra Africa trade will promote regional and continental integration. It will develop larger markets, foster greater competition, which in turn will lead to poverty reduction, growth and sustainable development.
- Pooling economies and markets through regional integration will provide sufficiently wide economic and market space to make economies of scale possible for African industries and allow Africa to play its rightful role in the global market.

Reforming trade policies at national, regional and continental levels for harmonization of rules and regulations, increasing access to trade financing and establishing the framework for viable continental payments systems through banking and export guarantee systems and factoring market integration aimed at intra-regional harmonization of regulations and mobility of labour, business and investments are indicated to be important objectives for the future. It is not difficult to make the relation with postal sector development as a global, regional and country-wide infrastructure for exchange of information, goods and services reaching out to all citizens with a nation-wide network. Communications, Logistic Services and Financial Services are the core of any proper infrastructure of a country and the Post is situated in all areas.

This brings the theme of harmonization of postal sector policies into the centre of policy-making within the AUC, while the relation with development of the communications sector and ICT must also be mentioned here.

As the postal sector is part of a wider communications or ICT sector as it is increasingly called⁴, the aim of reaching more integration and harmonization of policies is applicable to the postal sector as well, also because Posts and/or physical transfer of communications already existed long before electronic alternatives (telecommunications, mobile communications, internet, etc.) made their mark.

While the importance of the ICT and Communications sector and their rapid developments are widely recognised⁵, it is the postal sector which clearly lags behind according to a recent Harmonization Study on behalf of the African Union Commission.

2.1.2. Harmonization Study Postal Sector African Union

The justification for the Harmonization Study⁶ was: “The postal sector features in the short, medium and long term objectives of the African Union within the framework of the harmonization standards, policies and legislations in various sectors of activities.

The greater ambition of economic and social integration of the continent necessitates the development of physical links so as to facilitate free movement of people, information as well as goods.

To that end, the African Union Commission have inter-alia, assigned an important place to the postal sector in a bid to increase the role of the sector in the realisation of development programmes in the Continent.

⁴ Presentation Moctar Yedali on open consultation on financial mechanisms for meeting the challenges of the ICT for development, Geneva –Switzerland, 8-9 October 2009

⁵ Opening remarks by Dr Maxwell Mkwezalamba, Commissioner for Economic Affairs African Union at the launching Meeting of the United Nations Conference on Trade and development Least Developed Countries Report 2011 (LDCR) at the United Nations Conference centre, Addis Ababa, Ethiopia on 17 November 2011.

⁶ Study on the Harmonization of Postal Policies, Regulations and Strategies to Strengthen the Postal Sector in Africa, AUC December 2007

The **diagnostic study carried out by the African Union Commission** concluded that:

1. If the postal sector is to increase the volume of mail in Africa and subsequently improve its communications market share, it must systematically apply modern techniques to improve the quality of its services and diversify its activities including the financial services;
2. Sustainable development of postal services in African countries goes with comprehensive reform at the national level and through the harmonization of legislations and regulations, at the level of the African Union regions and at the continental level;
3. Prerequisites for a successful reform include the fulfilment of some conditions such as Governments commitment from the beginning of the process, effective management autonomy and marketing activities of postal operators, and strong political will, based among others on well specified universal service obligation and a well-established mechanism for its financing, as well as workers' support of the process.

Concluding on the Terms of Reference for the Study, the objectives of the AU to realize fuller economic integration and the outcome of the diagnostic study for Harmonization of Postal Policies it is clear that problems are identified in stagnating postal sector development or at least lagging behind growth and development in other sectors. This situation needs to be addressed to establish provision of sustainable postal services and achieve such provision by viable postal operators

The Study on the Harmonization of Postal Policies and Regulations has been adopted by the Conference of African Union Ministers in charge of Information and Communications Technologies (ICT) held in Cairo from 14th to 15th May 2008 as well as an Action Plan for the Development of the Postal sector in Africa.

The decision of this ICT Ministerial Conference has been endorsed by the Executive Council of the African Union through its Decision EX.CL/435(XIII).

2.1.3. Harmonization Decision EX.CL/435(XIII)

For the purpose of this Study the following conclusions and decisions are important:

The **Executive Council AUC**⁷:

- ENDORSES the **Reference Framework for the Harmonization of Telecommunications and ICT Policies and Regulations in Africa**⁸;
- ALSO ENDORSES the Strategic Orientation and **Action Plan for the Development of Postal Services in Africa**; (See hereafter)
- URGES Member States to ensure effective use of the Reference Framework for the Harmonization of Telecommunications/ICT Policies and Regulations and, the implementation of the Strategic Orientation and Action Plan for the Development of Postal Services in Africa;
- REQUESTS the Commission to disseminate the Reference Framework for the Harmonization of Telecommunications/ICT Policies and Regulations, and the Strategic Orientation and Action Plan for the Development of Postal Services in Africa to all Member States and other key stakeholders as well as facilitate their application;

⁷ See also Report EX.CL/434(XIII), REPORT ON THE CONFERENCE OF MINISTERS OF TELECOMMUNICATIONS AND POSTS, Executive Council June 2008

⁸ REFERENCE FRAMEWORK FOR HARMONIZATION OF TELECOMMUNICATION AND ICT POLICIES AND REGULATION IN AFRICA, Meeting organized by ITU ECA Conference Center, Addis Ababa, 11 Dec. 2008

Postal Development Plan for Africa (PDPA)

The Africa region, according to the system adopted by the UPU, comprises 44 countries, 30 of which are classified as **least developed countries (LDCs)**, namely:

- Angola, Benin, Burkina Faso, Burundi, Cape Verde, Central African Rep., Chad, Comoros, Dem. Rep. of the Congo, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Equatorial Guinea, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sao-Tomé and Principe, Senegal, Sierra Leone, Tanzania (United Rep.), Togo, Uganda and Zambia.

The other countries are classified as **developing countries**:

- Botswana, Cameroon, Congo (Rep.), Gabon, Ghana, Kenya, Mauritius, Namibia, Nigeria, Seychelles, South Africa, Swaziland and Zimbabwe.

The Regional Development Plan for Africa is based on close cooperation between the Universal Postal Union and the players involved: governments and designated operators, and certain players in the development field, such as the Pan African Postal Union (PAPU), the African Union Commission, the *Conférence des postes de l'Afrique de l'ouest* (CPAO), the Conference of Posts and Telecommunications of Central Africa (COPTAC), the Communication Regulators' Association of Southern Africa (CRASA), the Southern Africa Postal Operators Association (SAPOA), the Southern Africa Postal Regulators Association (SAPRA), and the Economic Community for West African States (ECOWAS).

Priorities for implementation of the Nairobi Postal Strategy and priority areas for intervention

1. Continuing postal sector reform
2. *Harmonization of postal policies and regulations to ensure sustainable development of the postal sector*
3. Quality of service improvement
4. Development of electronic and financial networks and diversification of products and services
5. EMS Cooperative business plan 2009–2012
6. Development of human resources

Rationale point 2 above on Harmonization of postal policies and regulations:

It is essential for African Posts to strengthen their postal presence, especially in rural areas. Without the network, these Posts will lose a major asset, in both commercial and social terms. In countries where income is low, as is the case in most of Africa, preliminary econometric results show a link between potential users per post office (network size) and the growth of domestic traffic. The work of the steering groups, set up in each of the sub-regions to monitor the implementation of the 2008 Cairo declaration on the harmonization of postal regulations and policies, is therefore essential in order to ensure the sector's sustainable development.

The main objectives indicated above are integrated in the **Regional Development Plan for Africa**⁹ dealt with later on in this report. The report of the harmonization Study recommends complementary studies on the postal sector.

This Study on “Elaboration of model and Guidelines on Universal Postal Service (UPS)” “is in line with the above-mentioned decisions and addresses major concerns on development of the postal sector in Africa.

⁹ Regional Development Plan for Africa 2009 -2012 – UPU Development Cooperation Directorate, November 2009

2.2. Structure of Interim report

The main duty of the consultant is to submit three reports:

1. **Preliminary Report**, which was delivered after agreement on the contract and after the “kick-off” meeting for the project on 22nd and 23rd November 2011 at African Union Commission Headquarters in Addis Ababa;
2. (draft) **Interim Report** to be delivered by the end of February 2012 for comments. This report shall include draft Proposed propositions including Model of UPS and Guidelines of implementation, recommendations, Action Plan and Scheme of Funding;
3. (draft) **Final Report** after comments from a validating workshop gathering Member States of the African Union and Experts and taking into account feedback and results of a planned Meeting of Ministers to be organised early April 2012. The Final Report shall be delivered no later than the end of May 2012

This Interim Report provides the backbone of the consultant’s Study as it is based on:

A. Diagnostics

- Analysis of the current situation
- Analysis of impact of scope and definition of UPS
- Analysis of options in funding UPS

B. Recommendations

- Development of Model of UPS for Africa
- Development of Guidelines of implementation
- Recommendations
- Action Plan

In structuring our Interim Report we have closely followed the guidelines for reporting as indicated by AUC staff and are elaborated in the Terms of Reference for the Study.

3. Diagnostics

3.1. Definition, purpose and scope of UPS (Beijing 1999)

In analysing definitions of Universal Postal Service (UPS) it is relevant to go back to the 1999 Beijing Postal Congress, which gives the issues included in UPS into the new millennium for all UPU Member States.

- Providing access to services
- Ensure and Monitor customer satisfaction
- Elaborate Speed and Reliability
- Ensure Security
- Establish liability and treatment of enquiries for customers

Universal Access can be considered as the key objective of UPS, supported by other characteristics such as customer satisfaction, speed and reliability (quality of service), security of services and liability and responsibilities for customer complaints. At the time policies and guidelines were developed for establishment of proper UPS definitions and trends to develop them as indicated hereafter in UPU based efforts to establish universal postal services.

Important decisions taken by the UPU regarding the universal postal service since Beijing 1999¹⁰
<ul style="list-style-type: none">• Article 1 of the Convention, adopted at the Beijing Congress and confirmed by the Bucharest Congress, relating to universal service.• Adopting resolution C 18/1999, entitled "Quality of service standards applicable to the universal postal service".• Adopting resolution C 103/1999 "Beijing Postal Strategy": the universal postal service as the first objective.• Publication of the Memorandum on Universal Postal Service Obligations and Standards in 2001.• Publication of the Status and Structures of postal administrations since 2002.• Publication of the Guide to Postal Regulation in 2004.• The first objective of resolution C 84/2004, relating to the Bucharest Congress World Postal Strategy.

The main achievements after Beijing on a global scale are:

- The definition being a generic one allowing specific elaboration per country due to the own political situation and related institutional environment of stakeholders in the postal sector.
- Universal service is elaborated as a definition of quality standards and the associated measures, with elements that can vary from country to country to address the specific market situation and policy objectives for each country.
- The universal postal service had, at 2000, been defined in 67% of UPU member countries.
 - NB This implied that around the new millennium 33% of countries still lacked proper UPS definitions, a percentage that may have changed for the better since.
 - There are, however, huge disparities between countries and regions when it comes to real postal service coverage. In certain developing countries, up to 97% of the

¹⁰ UPU information and Seminar on the universal postal service and regulation organized by the World Bank, in conjunction with the UPU and COMESA in Lusaka (Zambia) from 20 to 24 June 2005- Presentation by Lahcène Chouiter, HR Development and Training Manager UPU International Bureau

population can be without a postal service. In contrast, provision of the universal postal service in other regions has reached a high level,

- For example in Europe, where no more than 3% of any country's population is without reasonable access to postal services.
 - For example in Africa “best practice countries” like Botswana with close to 100% nationwide coverage within 3 to 5 days of posting
 - For example Democratic Republic of Congo (DRC) in which the postal system has collapsed due to on-going internal conflicts with a devastating effect (close to 0 %) on provision of “universal” postal services.
- The global trend that is gradually emerging in the area of postal services, geared in particular towards ensuring that the universal service is provided by a Designated Postal Operator (DPO) under **good conditions of accessibility at affordable price**.

Relevant UPU references to Universal Postal Service (UPS)
<p>Definition</p> <p>The definition of UPS has technical and political implications arranged in the UPU Convention: Article 1: criteria: accessibility, quality and affordable prices Article 9: content (basic services)</p> <ul style="list-style-type: none"> • The technical implications are related to specifics of these services as falling under the exchange system of mail and other transactions between UPU Member States. • The political implications are related to commitment from governments to ensure UPS provision in their country and create the proper conditions for development of the postal infrastructure.
<p>Purpose</p> <p>The main purpose of defining UPS is further defined in the first objective of The UPU Congress in Bucharest 2004: “Ensure the provision of a universal postal service, allowing customers to send and receive goods and messages, from any point in the world to any other point”</p>
<p>Scope of UPS definition as elaboration of providing the following basic services</p> <ul style="list-style-type: none"> • Letter-posts items up to 2kg, • Postal parcels up to 20kg • Registered services and certified mail • Inquiries • Postal money orders

Many countries have undertaken postal reform within the framework of UPU policies continued in later world postal congresses such as Bucharest (2004), Nairobi (2008) and upcoming in Qatar (2012).

For further analysis it is necessary to look into postal reforms in Africa and address more specific applications of UPS provision in Africa hereafter.

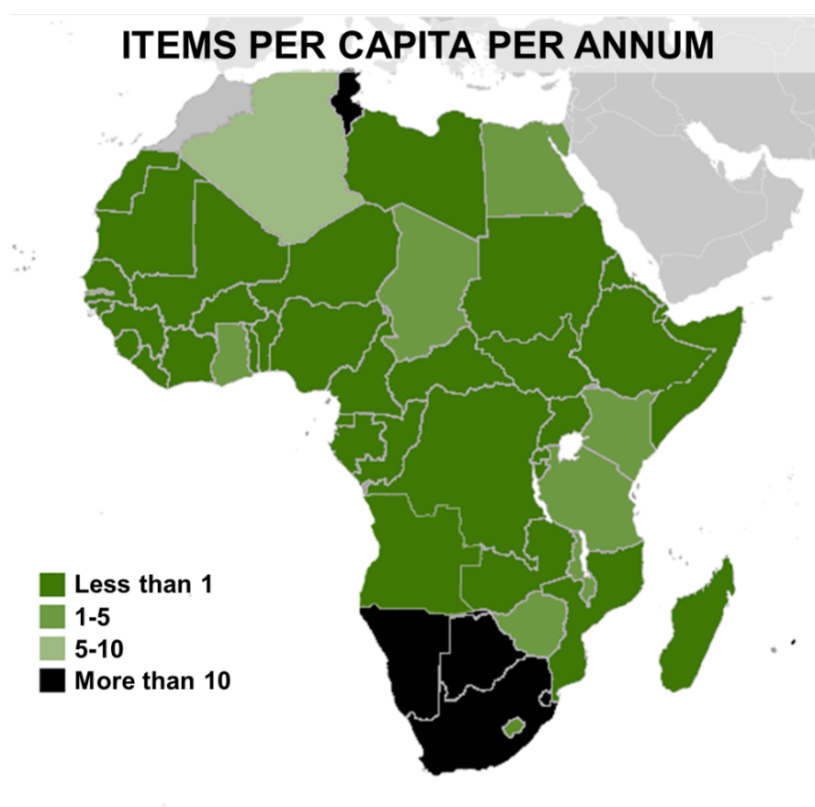
3.2. Analysis of the current situation in Africa

In this section we will address the current situation with the provision of UPS in Africa. For this purpose we have compiled **Annex Country Information**¹¹, which gives the situation of each country on certain key developments and market data for the postal sector. The Annex supplemented with other analysis and conclusions from our own consultancy practice and experience enables initial analysis¹² and impact assessment on UPS provision in Africa.

3.2.1. Status of the provision of UPS in Africa

For the impact of UPS mail provision it is useful to analyse mail volume developments in Africa as this puts the postal sector in initial perspective with developments elsewhere also taking into account that adopting a UPS definition in policies and action plans aims at increasing universal access and use of mail services for all inhabitants in the region and the country.

While ordinary letters are generally seen as the core activity of postal services it is observed that volumes in Africa are very limited based on the ratio of mail items per capita in the following overview.



Source: UPU statistics 2011 and database Business Consult BV

While in some countries mail development has taken off with over 5 or even 10 letter items per capita (e.g. Namibia, Botswana and South Africa in the South and Tunisia in the North), it is clear that in the majority of countries, mail developments are limited and are increasingly under threat of substitution by electronic media such as mobile telecommunications and internet.

¹¹ Annex 1 Country Information Africa attached to Interim Report, February 2012

¹² Initial because statistics are not available for all topics in all countries, while specific operational (volumes) and financial performance information (results, investments, key ratios) is limited for most countries

Comparison EU and AU countries

Comparing this ratio between EU and AU countries lead to the following observations”

1. The top 5 countries in Africa are almost comparable with some Eastern European countries with very low mail volumes (e.g. Bulgaria, Latvia and Romania);
2. One of the common features of low mail volume countries is mail from national utilities, which are either not provided¹³ or delivered through self-delivery of such utilities or increasingly sent on-line or by mobile phone to customers with apps for payment services;
3. Most EU countries have mail volumes from 50 to 400 per capita, while such countries have less difficulties to overcome in geographic conditions (mainly distances, availability¹⁴ and conditions of roads, domestic airline connections, etc.) as African countries;
4. While in Africa there is still much room for growth of mail volumes due to population growth and needs for service improvement, all European countries are faced with mail declines due to the financial crisis and increasing mail substitution by electronic media and social media;
5. When only mail volumes are taken into consideration it is clear that African countries face more difficulties to develop a nationwide postal infrastructure with regular mail exchange.

The limited mail volumes imply major challenges to provide universal postal services up country as UPS implies access for all inhabitants wherever they live in the country in densely populated areas or more remote and/or rural areas. Providing postal services to all inhabitants is mainly a question of:

1. Establishing services points in the form of post offices and postal agencies or any other access point for service delivery
2. Maintaining physical mail exchange or establishing regular mail transport between these services points, which have a collecting and distribution function for the mail system.

Based on the PAPU¹⁵ observations developing and maintaining the postal transport and mail exchange network is one of the main challenges for Africa and postal sector strategies must, according to DG PAPU¹⁶, be focused at improvement of quality of service in order to attain the UPU global standard of J+5 at 80% by 2012. Here it must be noted that no matter how great the challenges are for a large number of African countries, the objective of reaching all citizens within 5 days of posting is increasingly losing out to ICT developments, which deliver messages more direct and much faster. This implies according to consultant that such an objective be considered a bare minimum without which the postal system has a grim future.

3.2.2. Key ratios postal services and infrastructure development

Against the background from the mail volume developments it is useful to look into the development of the infrastructure of Post in African countries, with key ratios and developments, such as:

- Number of population per post office
- The effect of urbanisation
- The relevance of concentration of business entities in urbanised areas
- The method of mail delivery to PO Boxes and limited development into home delivery
- Population per PO Box

¹³ If one compares access to mail system with access to water system or road system, countries show many similarities in all of these public services

¹⁴ For instance DRC lacks a proper national road and railway system, which makes ordinary mail provision completely dependent on the more expensive airway system

¹⁵ The Pan African Postal Union (PAPU), a specialized agency of the African Union (AU) was born in 1980 following the decision of the Plenipotentiary Conference of 35 OAU member countries during a meeting held on 8th to 18th January 1980 in Arusha, the United Republic of Tanzania.

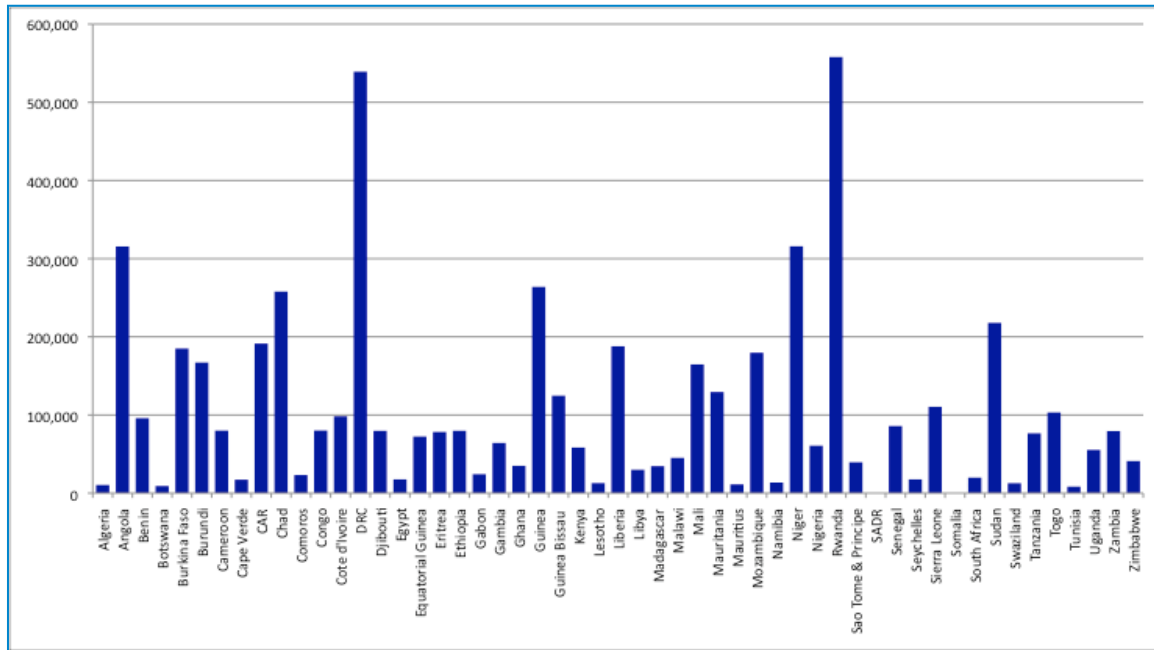
¹⁶ Presentation DG PAPU at AGDP meeting 10th January 2011 at Livingstone Zambia

- Area per Post Office
- Regular mail exchange up country
- Diversification of services beyond traditional and ordinary mail items, including postal financial services.

From this analysis relevant conclusions are taken on UPS mail provision in Africa.

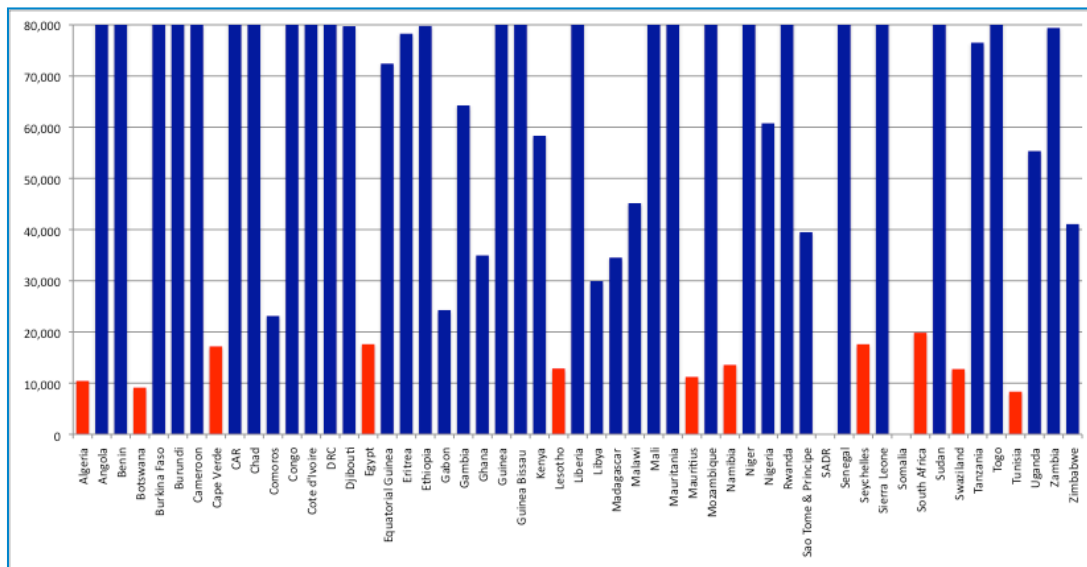
3.2.2.1. Population per post office

Access to the postal system can be derived from the ratio of population per post office with the following data for African countries:



Source: UPU Statistics 2011

Post office density varies greatly between countries from fewer than 10,000 people per post office to more than 500,000 people. To make more sense of those countries with greater post office densities we capped the scale of the chart as shown below:



Source: UPU Statistics 2011

It can be seen there are only 11 countries with a post office density better than one post office per 20,000 people. Conversely it shows that 32 countries have post office densities of less than one post office per 50,000 people.

Only a few countries such as Algeria, Botswana and Tunisia show ratios that are closer to the common practice in Europe and North America. In most countries access to the postal system is far more limited and in some cases there is virtually no access to postal services at all.

Comparison				
AU countries		and	EU countries	
Algeria	10,435		Austria	4,563
Botswana	9,126		Denmark	6,706
Cape Verde	17,182		France	3,659
Egypt	17,604		Germany	5,862
Lesotho	12,855		Great Britain	5,204
Mauritius	11,226		Italy	4,223
Namibia	13,566		Poland	4,528
Seychelles	17,600		Portugal	3,711
South Africa	19,838		Romania	7,593
Swaziland	12,747		Spain	14,009
Tunisia	8,338		USA	10,226
Conclusions:				
<ul style="list-style-type: none"> • It can be seen that in general most European countries have between 4,000 and 8,000 inhabitants per post office and provide better access. • Nevertheless the AU member countries with the densest networks compare favourably to countries such as Spain and the USA. 				

Source: UPU Statistics 2011 and EU Eurostat 2011

As for maintaining regular mail exchange between postal service points, suitable statistics are less available but the situation differs greatly per country with some countries showing daily mail exchange (Botswana) and others no exchange at all except for courier and express items (DRC).

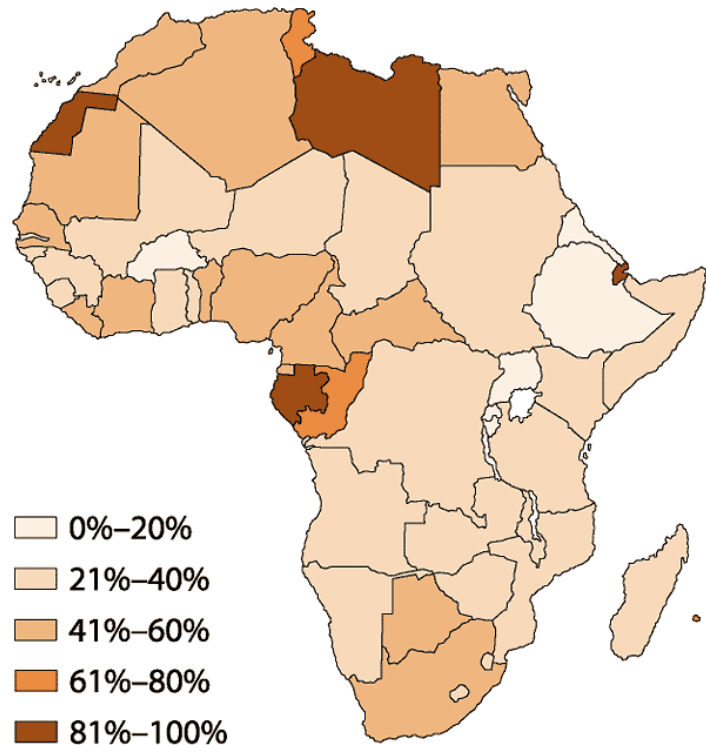
However the challenge of universal access for all inhabitants looks much better if two important trends are taken into account:

1. The on-going urbanisation process.
2. The concentration of business entities in urban areas or limited parts of each country, which are the main senders and receivers of addressed mail items.

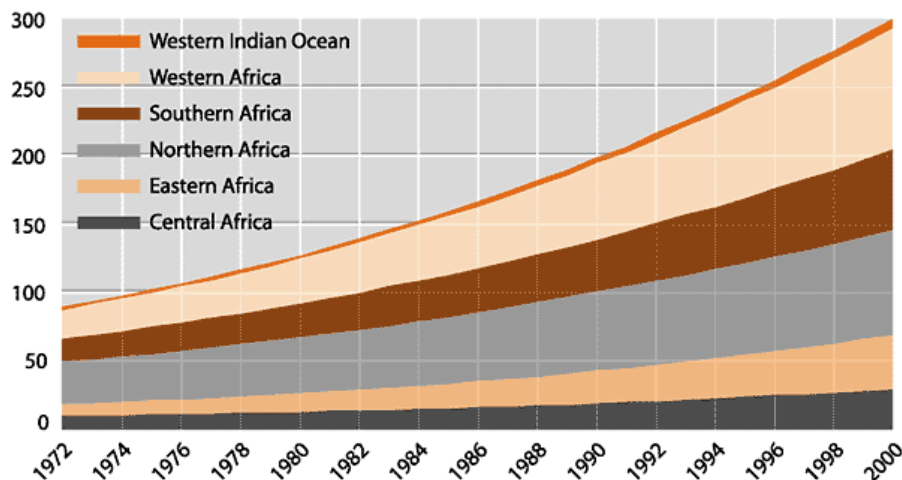
For the impact on postal sector development we will give attention to both issues hereafter:

3.2.2.2. Trends in urbanisation in Africa

The map hereafter shows the level of urbanisation in Africa¹⁷ as percentage of the total population.



Comparing this map with the previous one, leads to the conclusion that mail volume development is more likely in urbanised countries or areas within such country, than in countries with a very low degree of urbanisation. Urbanisation implies more economic activities which generate more mail volumes. Interesting of course are the exceptions, such as Namibia having a low level of urbanisation, but showing over 10 items per capita or the opposite example of Gabon and Republic of Congo, which have very high levels of urbanisation but low mail volumes. This makes the relation between urbanisation and mail per capita not to a causal one but one linked to the overall socio-economic development of the country. Actual urbanization shows large differences between regions in Africa over the last decades and will continue to do so in the next decades.



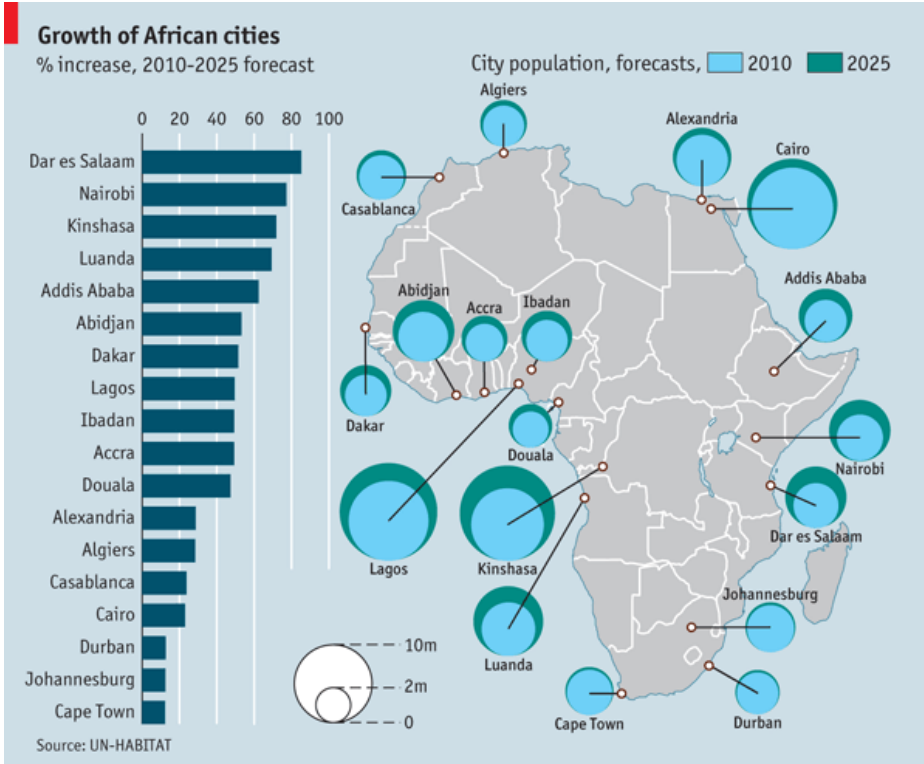
¹⁷ UN Article on urbanization trends in Africa: <http://www.unep.org/geo/geo3/english/410.htm>

The Graph above shows growth of urban populations in the African sub-regions since 1972. The ratio of urbanisation is important to compare with the general key ratio of postal establishments per square kilometre, in most cases showing how much African countries lag behind others.

The general UPU parameter per country does not account for urbanisation within the country and should be taken into account at the same time for the main reason that through this trend the mail system performing well in the large cities and/or urbanised areas in the country is already well underway covering a dominant part of the population.

3.2.2.3. The concentration of business entities in urban areas

While the urbanisation trend has a positive impact on better access, the effect is far greater through city development in African countries as shown hereafter.



Source: Dec 13th 2010, by the Economist

OVER a third of Africa's 1 billion inhabitants currently live in urban areas, but by 2030 that proportion will have risen to 50%. According to a recent report from UN-HABITAT¹⁸, the United Nations agency for human settlements, the population of some cities is set to swell by up to 85% in the next 15 years. Other analysts¹⁹ predict this development will be more limited but nevertheless it is still relevant for the subject of our report on provision of UPS.

These more critical reports on increasing urbanisation indicate this trend to be valid for few main cities while the prognosis is that in the period up to 2020 some 35% of Africa's population will live in urbanised areas. However, there is consensus that the move to urban areas is driven by finding work

¹⁸ <http://www.unep.org/geo/geo3/english/410.htm>

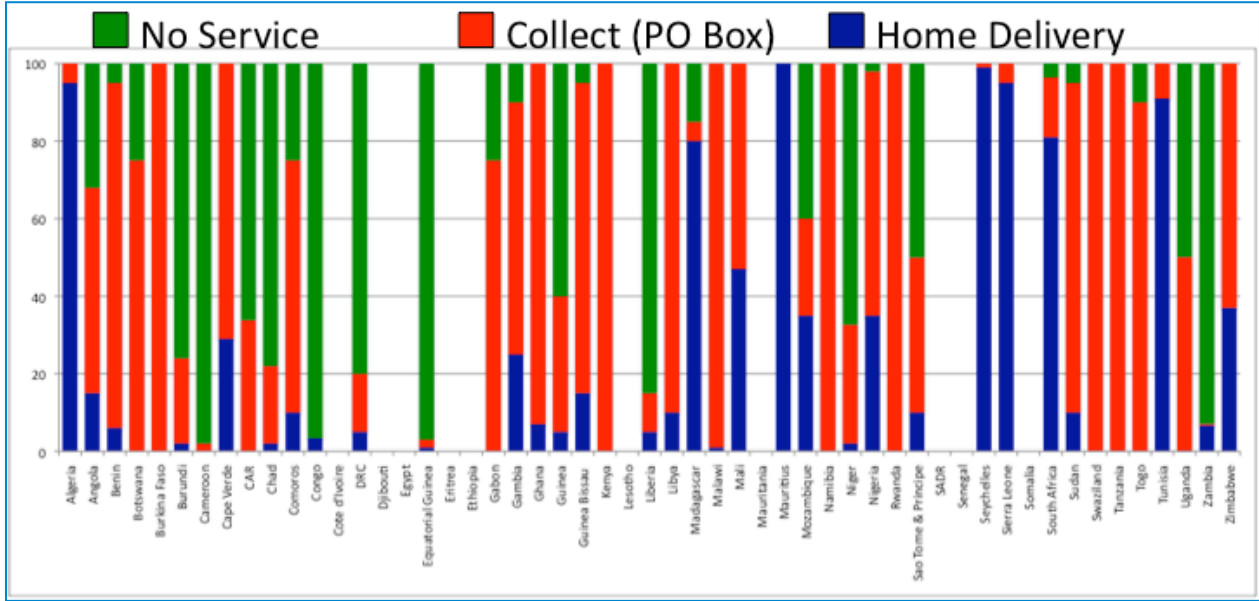
¹⁹ Edward Paice - Africa: The Urbanisation of Africa Exaggerated, October 2011 in All Africa

as cities are the major source of employment. This is very important for mail development as well as a dominant part of mail volumes is generated by government and business entities.

In many countries the National Postal Operator can capture the majority of mail volumes, provide access to the majority of inhabitants in providing service solutions in such densely populated areas, which make the burden of having to serve rural/remote areas much smaller as the quality of service criteria (especially speed D+3 and D+5) can be tailor-made to the needs of such areas.

3.2.2.4. Method of Mail Delivery

The chart below shows how the population receives mail from the postal operator according to the latest UPU data for each country:

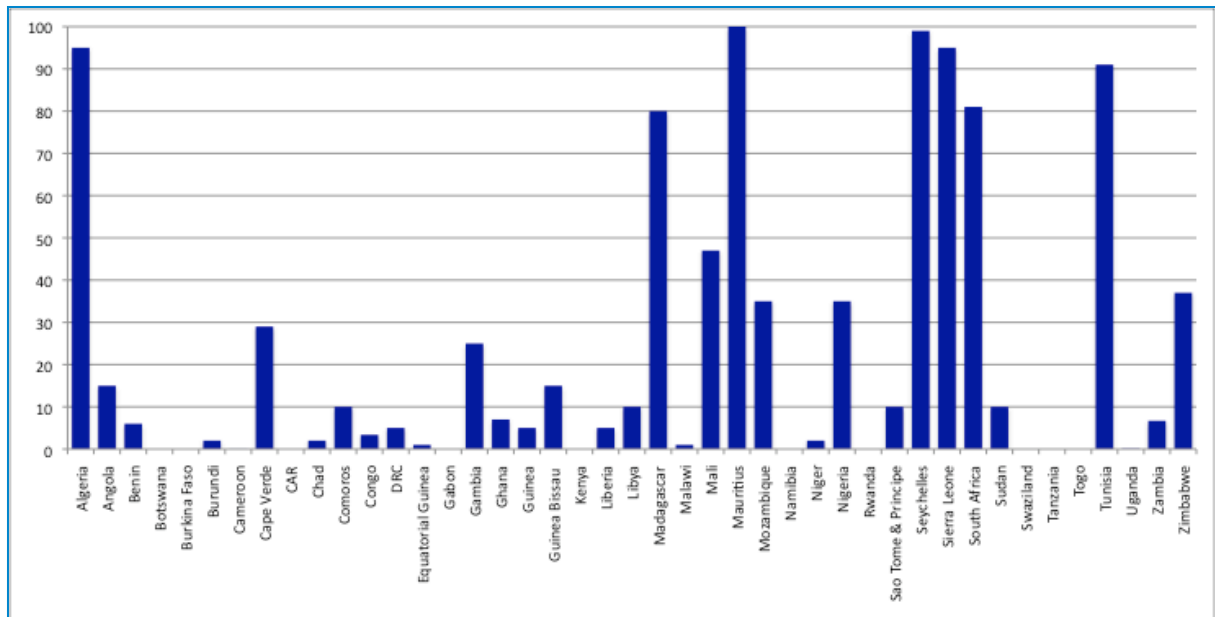


Source: UPU Statistics 2011

In the UPU statistics, countries identify the proportion of inhabitants that receive home delivery, those that collect from a postal establishment (PO Boxes) and those that do not have access to postal services. Of AU members, only Mauritius delivers to 100% of homes, with Algeria, Mozambique, Seychelles, Sierra Leone and Tunisia also claiming to provide extensive home deliveries.

In the case of some countries it is doubtful they provide home delivery to the extent indicated in the chart. One example is Mali, which indicates almost 50% of people receive home delivery. From our experience working in the country we know this cannot be the case since Mali Post only has a small number of delivery post staff.

The chart does show that many AU member countries acknowledge to not providing postal services to a good portion of inhabitants. Cameroon, Congo, DRC, Equatorial Guinea, Liberia and Zambia all report they do not provide postal services to more than 80% of their inhabitants. Several other countries identify that PO Box is the main method of postal delivery. Even in the case of countries such as Botswana and Namibia, which have relatively high per capita mail volumes, they deliver mail exclusively through PO Boxes. This contrasts sharply with what happens in other parts of the world. Industrialised countries generally provide daily delivery to virtually every address point and PO Boxes are used mainly as a convenience for business users. An overview is provided hereafter of the percentage of home delivery as reported for African countries:



Source: UPU Statistics 2011

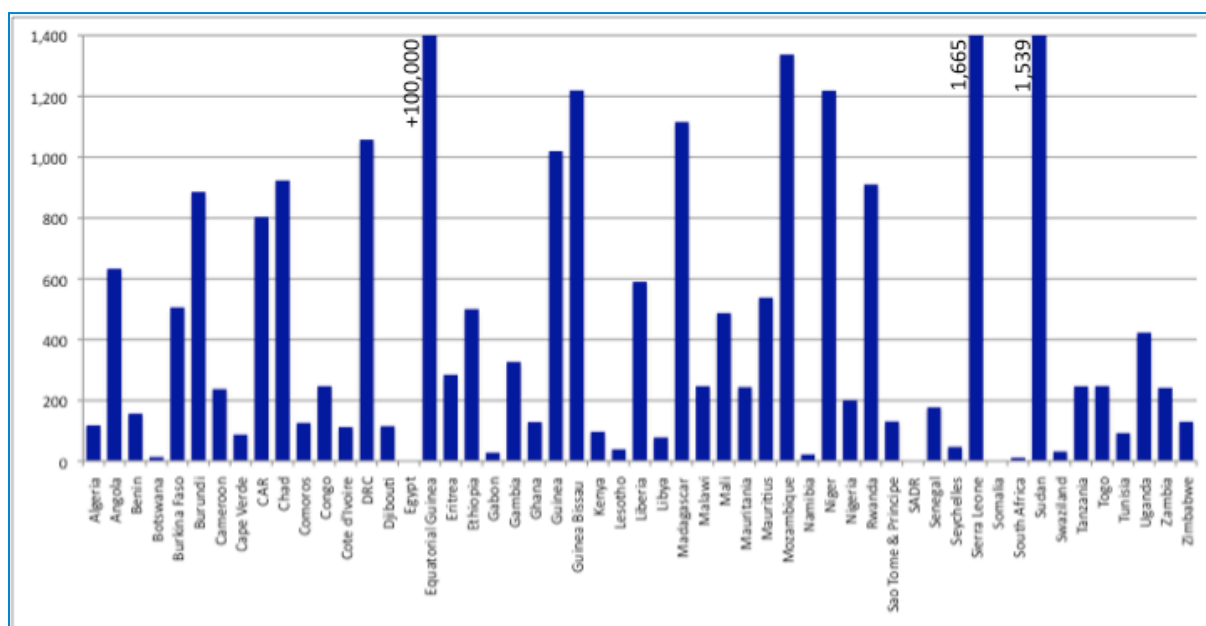
Only a very few countries realise home-delivery with the majority of them having home-delivery to few addressees in city centres or specific residential quarters, reaching all other customers through PO Boxes. In most postal sector policy documents the aim of increasing home-delivery is indicated but without proper ratios or guidelines how this must be achieved. This practise also raises the question how this relates to universal postal service as some households and business entities apparently have advantages over others, while it is also less clear how this is financially covered.

This situation has huge impact on postal service provision:

1. While in other countries the home delivery is included in the tariffs, African postal services charge the customers for rent of PO Boxes generating income from this activity;
2. While home delivery is in general about 50% of the cost of the postal service, this is not the case in Africa as delivery to the PO Box is much cheaper, estimated from experience by the consultants at 1/5 of cost for home delivery; Providing PO Boxes requires initial investments with on average a return within a few years, after which period the annual payments for a PO. Box minus maintenance cost are income for designated postal operators;
3. Both aspects of PO Box delivery above present a different situation with generating income that other postal operators not have and saving on main cost drivers at the same time for a service that is not really comparable to home delivery in other countries;
4. In general it can be observed that PO Boxes in rural areas are less provided and if sufficiently provided are not rented indicated underutilisation of the infrastructure. On the other hand in many capitals and large cities in African countries, there is an increasing and/or urgent need for more PO Boxes and on-going need to decentralize PO Box facilities closer to the customers. This is an issue where on-going urbanisation and need for UPS provision in the cities contrasts with such UPS provision in rural areas.
5. Last but not least this situation makes the postal service more vulnerable to substitution by electronic media, especially internet and mobile communications, as these are more accessible and affordable to users and bring messages across to the person in a must faster and far more direct way.

3.2.2.5. Population per PO Box

For analysis of access and coverage of the main distribution channel it is relevant to indicate the number of inhabitants per PO Box as provided hereafter.



Source: UPU Statistics 2011

When evaluating the impact of this situation it is important to note that:

1. The number of PO Boxes is far below the number of households and business entities so indicates limited access;
2. However at the same time PO Boxes are shared between users in name of (extended) family or for business reasons contributing to access.
3. Considering the fees for rent of PO Boxes and low mail volumes, disregarding sensibilities of privacy and difficulties in transport to frequently empty PO Boxes, sharing of PO Boxes seems a rational activity and increases access of this distribution channel for the users.
4. PO Boxes are usually placed at postal service points such as post offices and postal agencies and the number of postal service points may contribute or limit access.
5. Countries positioning PO Boxes outside locations of post offices, using PO Boxes as a stand-alone activity increase the number of service points and access accordingly. This is however not common practice for safety and security reasons.
6. For analysis of access and coverage of the main distribution channel it is relevant to indicate the area covered by a permanent office as provided hereafter.

3.2.2.6. Area per post office

The Table hereafter provides the average area covered by a postal establishment for those countries of which data are available.

<i>Average area covered by a permanent office (km²)</i>			
<i>African Union Members</i>		<i>Selected Countries</i>	
Mauritania	39,443	Bolivia	12,774
Chad	29,860	Colombia	5,694
Central African Rep	25,958	Saudi Arabia	3,461
Niger	25,340	Peru	3,445
Angola	21,872	Venezuela	2,714
DRC	19,540	Mongolia	2,352
Mali	15,124	Cambodia	2,291
Sudan	14,157	Australia	1,753
Libya	8,222	Chile	1,492
Congo	6,980	Afghanistan	1,408
Guinea	6,470	Iraq	1,156
Mozambique	6,362	Kazakhstan	729
Namibia	5,184	Brazil	692
Liberia	5,062	Lao PDR	676
Gabon	4,957	Argentina	652
Zambia	4,733	Panama	645
Equatorial Guinea	4,007	Bhutan	635
Burkina Faso	3,149	Myanmar	492
Botswana	2,718	Russia	410
Guinea Bissau	2,580	Finland	317
Djibouti	2,109	Malaysia	316
	1,973	Syria	314
Cameroon	1,729	USA	312
	1,661	Qatar	305
Eritrea	1,645	Kuwait	269
	1,386	Norway	268
Tanzania	1,281	Jordan	257
	1,269	Morocco	252
Cote d'Ivoire	1,166	Sweden	239
	1,126	Kyrgyzstan	217
Rwanda	1,034	United Arab Emirates	189
	951	Turkey	186
Sierra Leone	833	Uruguay	176
	823	Philippines	160
Senegal	712	Spain	158
Zimbabwe	525	Estonia	111
Benin	492	Thailand	110
Ethiopia	403	Cuba	109
Madagascar	392	Iran	94
Kenya	356	Latvia	92
Togo	355	Lithuania	88
Algeria	346	Indonesia	85
Burundi	241	Greece	84
South Africa	222	Mexico	69
Gambia	191	Pakistan	66
Uganda	191	China	47
Malawi	128	France	32
Nigeria	122	Germany	25
Ghana	91	India	21
Sao Tome & Principe	57	Italy	21
Egypt	18	Great Britain	20
Lesotho	n/a	Netherlands	19
Swaziland	n/a	Japan	15
Tunisia			
Cape Verde			

Seychelles Comoros Mauritius SADR Somalia	
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Source: UPU Statistics 2011

Although an important indicator, when comparing the area per post office it is important to consider other factors that may impact the number. Countries with low population densities or natural barriers will tend to have higher ratios. Many countries in Africa contain large uninhabitable tracts of land, such as the Sahara and Kalahari deserts. Many countries in Africa also have among the lowest population densities in the world such as Botswana. On the contrary countries such as Mauritius and Seychelles are very densely populated and therefore have relatively low area per post office ratios.

This area indicator is one of the parameters to assess proper access to the postal system and show distance is one of the main challenges to overcome in postal sector development in African countries. ICT based services can support postal sector development provided suitable conditions (place/price) are in place. However other factors must be considered as well to assess real impact, such as concentration of activities in urbanised areas and geographical conditions. Namibia and Botswana are examples of countries with a vast (Kalahari) desert area, which have shown to cover access to the postal system for all inhabitants.

3.2.2.7. Regular mail exchange up country

While in the European area mail exchange (frequency of rural collections and rural deliveries) takes place 5/6 days per week and is explicitly laid down in postal regulations, the situation in Africa is quite different:

- A limited number of countries having regular mail exchange up country at least 3 times per week or more. Examples Algeria, Botswana, Burkina Faso, Eritrea, Guinea, Lesotho, Mauritius, Namibia, Nigeria, Senegal, Seychelles, South-Africa, Tanzania, Togo, Tunisia, Uganda and Zambia
- A huge number of countries reaching a level of once or twice per week: Burundi, Cameroon, Cape Verde, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Equatorial-Guinea, Gabon, Gambia, Ghana, Kenya, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Niger, Sierra Leone, Sudan, Swaziland and Zimbabwe
- Some countries having no physical mail exchange up country: Central African Republic and Democratic Republic of Congo.

Many countries do not provide data on frequency of urban and rural collections and deliveries, such as: Angola, Ethiopia, Guinea-Bissau, Mozambique, Rwanda, Sao Tome & Principe and Somalia and for some it is assumed to be in the lower category above.

Other countries indicate a very high frequency where this cannot be the case: Benin.

Needless to say, this situation puts serious limitations on speed and frequency of mail delivery up country. From our own experience we also know that some countries like to indicate their objective, which is different from actual practice. In our own consultancy practice in African countries operational measurement systems are developed in very few countries and there is hardly any effective enforcement mechanism in place to realise improvements.

From our experience we recall undertaking an inspection of street collection boxes with staff of Post and not being able to find them. Also the street collection boxes were in a terrible state and practically out of use and were not emptied according to schedules, if at all. For all data it has to be considered that some of them are more wishful thinking than real postal practice.

For some countries postal sector policies, laws and regulations cannot have impact due to lack of proper roads, transport means and all related aspects of physical mail conveyance and last but not least sufficient volumes to justify such regular mail exchange from an efficiency point of view.

3.2.3. Diversification of services

The UPS generic definition includes different services for mail, parcels and financial services.

In the past the letter mail volumes have always been dominant for the revenues of the postal service, but this has changed over the last decade with decreasing ordinary mail volumes and increasing other postal transactions. In fact dramatic changes occur in the main source of income of “postal “operators, due to market changes and changes in demands for service provision.

It is quite common in the postal sector to differentiate all activities into main **business areas**, such as:

- **Mail** (addressed letters, advertising mail, printed matter, etc.)
- **Express** (door-to-door courier services, express time definite deliveries, liability for delivery guarantees, track & trace, etc.)
- **Logistic Services** (warehousing, delivery on-demand, supply-chain parcel deliveries, single items as fulfilment of web based shopping mall activities)
- Postal **Financial Services** (PSF) (all financial transactions at post offices)

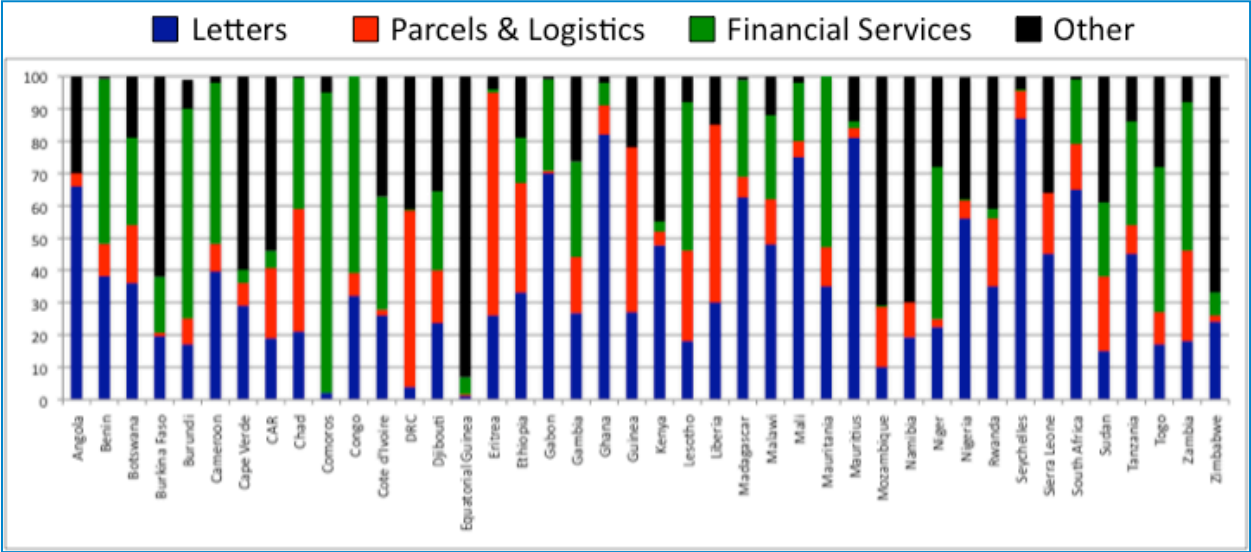
In practice especially both Express, Parcels & Logistics are combined in the category of Courier, Express and Parcels (CEP) as most items are dealt with as value added services with time definite delivery schedules, track & trace monitoring of valuable single items and specific conditions for delivery such as guarantees and liabilities attached.

Also the UPU Statistics combine the CEP category, which allows analysis of the changes in income generated by national postal operators over recent years.

Hereafter we assess into more detail into changes in revenue base of the UPU based categories:

1. Letters (ordinary letters, advertising mail, printed matter, insured and registered letters)
2. Parcels & Logistics (CEP items)
3. Financial Services (all financial transactions)
4. Other services (retail sales, renting PO space, agency services)

The following chart shows how income is generated for the incumbent operator in each AU member country according to latest UPU figures:



Source: UPU Statistics 2011

It shows that letters is the main provider of revenue in only a few countries. In many countries financial services and Agency Services appears to be a more important product and service offering than letters and/or parcels processing.

This is very important for the purpose of our Study for the following reasons:

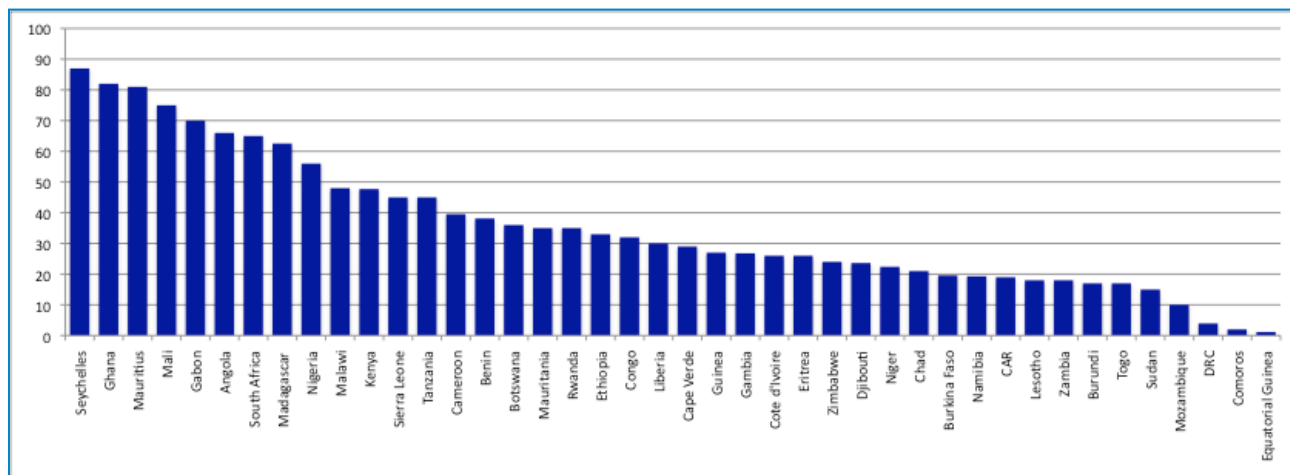
- The generic UPU definition of universal postal services only refers to postal orders and money orders in the financial services area, while a lot of activities in the financial services transactions and Agency transactions are not covered as such;
- While for mail services standards are specified in postal laws and regulations this is less the case for other services such as Financial services and Agency services;
- The actual income from African postal operators show that the network of postal outlets is mainly used for financial transactions on behalf of related institutions such as Post Bank or own postal financial services or on behalf of other services providers as Retail sales and Agency Services;
- The questions remain on how network and overhead costs are allocated between the different business areas, as financial reporting does not provide much insight here;
- Knowing from our own experience that many African designated postal operators do not have a proper cost-allocation system in place, this situation makes it nearly impossible to allocate costs on Direct Costs or Activity Based Costing (ABC) methods, which makes cost-allocation in the end mainly a political decision.
- Hereafter we will assess the business area postal financial services and the business area Retail and Agency Services with African designated postal operators in more detail.

3.3. Business area Mail with DPO's in Africa

The following chart highlights more clearly the reliance on letter revenues in member countries:

Source: UPU Statistics 2011

From this overview the following relevant conclusions can be drawn:



1. Over the last decade postal operators have generated relatively lesser income over mail activities, which figures are fast changing in some countries over most recent years due to investments in new services;
2. Already a larger number of African countries have less than 40 % income from Letters and have diversified their revenue base with other activities;
3. The income allocation does not enable a differentiation in income from universal and non-universal postal services, but it is assumed and observed that many new value added activities are outside the scope of universal postal services;
4. At one side the chart indicates some countries highly dependent on mail activities (Seychelles, Ghana, Mauritius, Mali, Angola) needing to re-think their diversification strategies with the threat of increasing mail substitution by internet based activities;
5. On the other side are many operators with a relative smaller income from mail activities, which is positive from the view point of diversification, but also raises the question how maintenance and development of the postal network is covered by UPS provision and from these other services;
6. The extremely low figure of mail income for some countries (e.g. DRC) is explained by failure of the postal system to have impact and little is known about the possibility for mail services development in the near future.

Some examples African countries	
Seychelles	The postal service operator in Seychelles is small and almost completely dependent for its income on mail services, while the Postal Bill has indicated developments into direction of generating more revenues from new services. The country is also an example with almost 100 % home-delivery, daily mail exchange, access for all inhabitants and last but not least above 40 letters per capita.
Ghana	Ghana Post depends for 93 % on PO Box delivery, while mail per capita is relatively limited to 4 items per year. With 2 daily collections and delivery in city areas, the once per week collection and delivery rounds in rural areas indicate limited access for the population at large. While Ghana Post offers a range of services such as EMS, parcels services, financial services on behalf of Western Union, MoneyGram it is remarkable that Ghana Post reports to be dependent on mail services for 80 % of its income.

Tunisia	La Poste Tunisienne is gradually expanding its network with 10 % more postal outlets over the last 4 years, 75% of which are computerized and have internet connections. Mail volumes are relatively stable with steep decline of incoming cross-border mail and growth in outgoing cross-border mail. Total volumes in kg show a structural decrease, while on the other side the size of hybrid mail volumes have increased considerably.
Mauritius	The postal service operator in Mauritius is small and almost completely dependent for its income on mail services. The country has almost 100 % home delivery, daily mail exchange, access for all inhabitants and last but not least above 44 letters per capita. It is known that the postal operator is undertaking plans to diversify services.
Mali	To overcome current (too) high dependency of mail activities only Mali Government ²⁰ has from the year 2009 embarked on providing more ITC services through post offices. The Project involves 79 rural offices among which 16 are to be connected by VSAT to enable more ICT based services, such as e-Government and e-Commerce transactions, on-line payments for Savings bank and postal cheques and intermediate activities on behalf of other service providers.
South-Africa	SAPO management ²¹ has developed a diversification strategy to counter falling mail volumes since 2008. This diversification strategy ²² aims at developing new services in the business areas Mail, Logistics, Financial Services, ICT and from the Properties Division, while in 2011 the Mail services still accounted for 69 % of total revenues.
Swaziland	The global trend of declining mail volumes and financial meltdown has not spared the economy of the country and the SwaziPost business. Major business partners like bulk mailers have started implementing strategies of reducing the frequency of sending promotional materials, thus negatively impacting SwaziPost bottom line. According to predictions of the market, the economic future of the country does not look bright with a decline in the SACU receipts by government, which is expected to hit hard in all sectors of the economy. SwaziPost has continued strategies of focusing on increasing the agency business resulting in strong growth over recent years.

Source: Annual Reports and other data DPOs and database Business Consult BV

3.3.1. Main challenges for Post: cross-border markets under pressure

Two of the main challenges for national and designated postal operators are:

1. Development of new technologies with huge impact on communications, especially mobile telecommunications and Internet
2. Development of competition in value added service markets, such as Cross-border mail, Advertising mail, Hybrid mail, Courier and Express, Logistics and Parcels, Financial Services, Retail and Agency Services.

One of the main markets which show such development is the cross-border mail market because both developments above have most impact on this market in combination with increased competition in the courier and express markets.

Based on performance and provided UPU statistics, the development shows that African countries show in general stabilised inbound and outbound cross-border mail volumes over the period 2006 – 2010, while outbound is almost half of the volume in inbound indicating a positive balance of terminal dues for most African countries as an important income category. As such this is a positive trend

²⁰ Information and Communication Technology (ICT) ownership project by Post Office, Ministry of Communication and new technologies 2009

²¹ South Africa Post Office (SAPO) posts strong results, maintains robust balance sheet, Article website 10/19/2011

²² Annual Reports SAPO 2009 and 2010

because on a global scale outbound cross-border shows decline of mail volumes with designated postal operators, while overall data on inbound cross-border are not available.

Cross-border Africa	2006	2010	Index
receipt/inbound	208.965.455	209.566.440	100
dispatch/outbound	106.336.564	106.470.338	100

Source: UPU Statistics 2011 (Based on 18 countries providing consistent statistics over period 2006-2010)

However the picture is very different across African countries. Differences occur not only between countries with increasing cross-border mail volumes and decreasing cross-border mail volumes, but also within these categories showing ranges of statistical data with some of them “screaming” for reasonable explanation. The real development in this market shows the huge impact of global development of competition and global development of communication technology in postal markets.

Countries	Index 2010 in % of 2006 (= 100)		Countries	Index 2010 in % of 2006 (= 100)	
	inbound	outbound		inbound	outbound
cross-border			cross-border		
Algeria	41	41	Madagascar	4	34
Angola	41	49	Malawi	79	68
Benin	184	71	Mali	144	354
Botswana	49	20	Mauritania	175	167
Burkina Faso	47	100	Mauritius	38	114
Cape Verde	60	67	Mozambique	84	38
The Comoros	80	105	Namibia	107	?
Congo Rep.	1	2	Niger	163	70
Djibouti	76	66	Nigeria	182	186
Egypt	101	99	Rwanda	96	84
Eritrea	70	83	Senegal	106	99
Ethiopia	52	50	Seychelles	80	64
Gambia	257	135	Sierra Leone	129	330
Ghana	100	25	Swaziland	99	86
Guinea	0,4	?	Tanzania	124	159
Guinea Bissau	265	34	Togo	55	58
Kenya	75	44	Tunisia	112	35
Lesotho	729	3439	Uganda	35	5
Liberia	60	201	Zambia	72	87
Libya	20	83	Zimbabwe	81	396

Source: UPU Statistics 2011

Explanatory Note: Example Algeria 41 means that inbound and outbound volumes in 2010 are 41 % of volumes in 2006, a decline of 59 % in 5 years. Sierra Leone 330 means that outbound volumes have more than tripled in a 5 year time period.

The provided statistics to the UPU are questionable in many ways:

1. Quite a lot of countries (13) do not provide volume statistics at all or seriously lack behind in providing them; these countries are not shown in Table above.
2. For a number of countries there are many inconsistencies in the available statistics in the sense that some volumes show strange fluctuations over the years, some years show incredible volume increases (e.g. Lesotho), some unexplainable volume decreases (e.g. Guinea and Madagascar).

3. For those countries reporting on a regular basis, some increases and decreases are questionable as such developments are in no way in line with sector developments (e.g. volume increase inward cross-border in Gambia and Guinea-Bissau with app. 170 % in a 4 year time period 2007-2010, or volume increases in outward cross-border with app 340 % in Mali and Sierra Leone in the same period;
4. Especially for the cross-border markets these deficiencies are a serious matter as cross-border mail is accounted for in UPU systems for international mail clearing and balance of terminal dues and last but not least are underlying proper policy-making for the postal sector;
5. In 25 African countries which do report more consistent data, the inward cross-border mail volumes are in decline in a range of minus 1% to minus 60 %, while the data confirm the fall out of the postal system in Congo Rep. not even reaching 1% of inward volumes in the past;
6. In 14 African countries inward cross-border mail volumes show increase ranging from 1% up to 257 % in comparison with 5 years ago (Index = 100 for 2006);
7. In 26 African countries the outward cross-border mail volumes show decline ranging from 1% to over 70%, while the data confirm the fall out of the postal system in Congo Rep. not even reaching 2% of outward volumes in the past;
8. In 11 African countries an increase of outward cross-border mail volumes is reported ranging from 1% (Egypt and Senegal) up to 3,000% (Lesotho)
9. These development in cross-border market show that development of competition takes place in all countries, while a limited number of countries have developed a proper response to such developments;
10. Falling inbound mail is a concern for African operators because it will reduce their terminal dues payments, which is usually a large and important revenue stream;

If senders lose confidence in the ordinary mail system they will turn to:

- a. Value added services, such as courier and express, which while more expensive provide track and trace and time definite delivery
- b. Other communication services such as email and Internet based communications and social media, which are not only more direct and personal, but also allow monitoring if messages and documents have reached the addressee in a much better way than Post can ever provide.

Concluding, the ordinary mail system faces strong competition from new value added services that operate within liberalised sectors of the market. The Post has to compete by developing products beyond universal postal services to best guarantee continuing universal service provision. The development of courier and express services during the last decade may be a factor in falling cross-border mail volumes as customers choose those services rather than ordinary mail.

The boom in mobile telecommunications and Internet services can also be seen as both a threat and an opportunity to postal services. On the one hand it provides a way of bypassing traditional physical communication, while on the other it offers the chance to develop new services in collaboration with mobile operators. From a wider communications perspective the development of mobile and Internet is a massive opportunity as electronic media help to bridge the digital divide and contribute to universal service provision as was concluded in a recent report on postal sector development²³.

²³ Source: Delivering the Future. How the G20 postal services meet the challenges of the 21st century, Oxford Strategic Consulting - December 2011

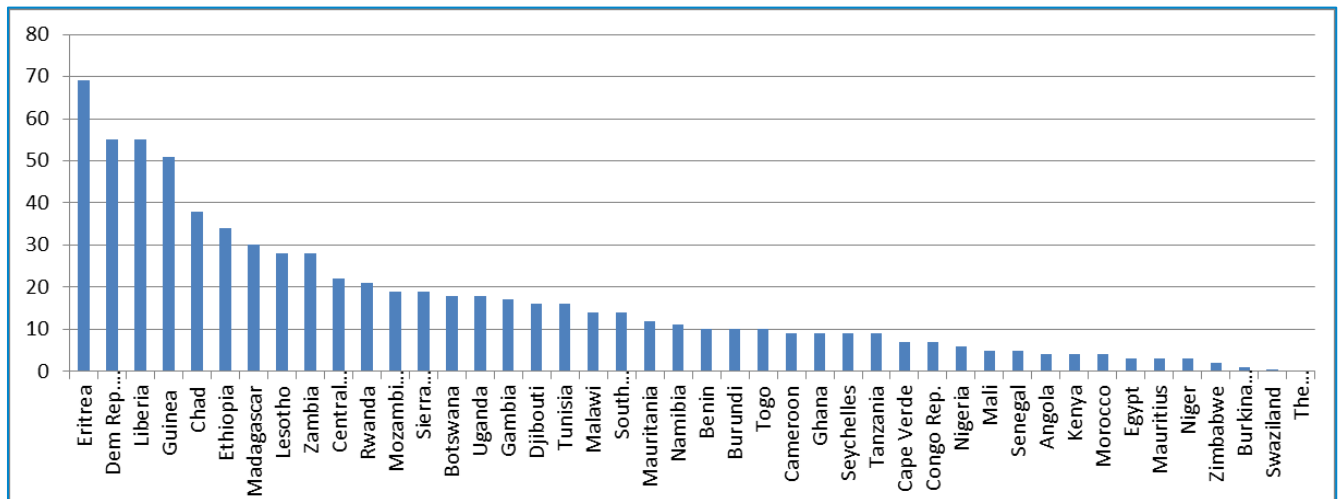
The Increasing Universality of Digital Communications

The present and future utility and value of postal services must be considered in tandem with the rise and increasing dominance of digital communication channels. In many developed countries, internet access and broadband penetration rates are reaching a level of universality, with direct connections to the substantial majority of homes and offices. Postal services must now contend with sudden and apparently unlimited competition from privately-financed internet companies - requiring limited numbers of workers – that can only intensify, as legal and government documents follow the shift in inter-personal communications towards digital delivery.

Source: Delivering the Future

3.4. Business area Parcels and Logistics with DPO's in Africa

The following overview indicates the income from Parcels and Logistics as percentage of total income over the years 2010 (or 2009 if not available) as provided to UPU. In the UPU definition the CEP activities include all courier, express and parcel deliveries without specific logistic services activities such as warehousing.



Source: UPU Statistics 2011

From this overview the following relevant conclusions can be drawn:

1. Following the growth of business activities and Internet based purchases and supplies, the CEP activities have increased with most postal operators active in this area in USA, EU and Asia-Pacific but much less in Africa;
2. While a dominant proportion of national postal operators in Africa have limited income from these CEP activities, an explanation may be found in:
 - a. Loss of courier and express mail volumes to private sector local operators in the domestic market and to global integrators (FedEx, UPS, DHL, TNT, Aramex and DPD) in the cross-border markets.
 - b. For the time being still very limited development of ICT based postal activities, which is important as EU operators generate higher volumes from fulfilment activities following purchases and orders from the Internet and single parcels are a negligible category
3. In countries with relatively higher income from this category, the Post is one of the very few still operating activities with a more or less (intended) nation-wide coverage in these markets.

Some examples African countries	
Eritrea	Eritrea Post provides mail services based on generic UPU definitions with parcel mail as the main source of income (>70%) over letters (<30%) and hardly income from postal financial services and other services. The service centres consist of own post offices and use postal agencies with mainly mail functions as financial services are focused on postal money orders and international reply coupons which are low level financial services.
Liberia	Letters and Parcels also provide the main source of revenue for Liberia postal services for respectively >30% and > 55 % and this high relevance of traditional postal services represent as much limited results in development and provision of new postal services.
DRC	The relatively high income from parcels in DRC is due to the fact that the postal system is the only affordable national parcel delivery provider, while mail services are negligible. The need of such parcel services is still relevant in spite of low service levels in terms of speed and security, with hardly alternatives available.
Egypt	Egypt is an example of countries, which have recently undertaken many efforts to increase ICT based service provision, which should result in increased parcel and logistics services as well. The fact that these countries still have very limited results from such activities indicates that either more time is needed to see the results or such activities are already taken over by private sector operators.
South-Africa	SAPO provides courier, express and logistic services under different brand names such as Speed Services Couriers, DOCEX the document exchange, XPS, PXH and CFG the courier & freight group. Transport services of all activities are integrated into one support group. Although financial results are behind target over 2009/2010, all activities contribute to overall group profits.

As courier and express mail services are included in this category we focus here on some examples in this market.

EMS UPU	The Regional Development Plan for Africa focused on EMS Cooperative business plan 2009–2012 to improve the value added mail services with African operators to fight global and local competition. EMS is an International Express Mail service offered by members of the Universal Postal Union (UPU). It is an international courier network, which provides the fastest physical door-to-door service available through UPU services.
EMS Tunisia	Courier and express services are offered under the brand name EMS/Rapid-post covered by 33 postal outlets and reached a volume of 1.5 million items in 2009. While domestic volumes show a steady growth, international volumes have decreased due to heavy competition. Almost 4.000 enterprises have a subscription to regular Rapid-poste services.
EMS Ghana	In Ghana EMS was launched on 10th April 1990. Ghana Post does not provide volume developments in UPU Statistics and website. Also no reference is made to any annual report providing data on operational and/or financial performance.
Growth of domestic express services:	
<ul style="list-style-type: none"> Burkina Faso, Cape Verde, Madagascar. Kenya, Lesotho, Madagascar, Malawi, Nigeria, Rwanda Rep. 	
Decline of domestic express services:	
<ul style="list-style-type: none"> Angola, Benin, Cameroon, Congo Rep, Eritrea 	

Source: Annual Reports and other data DPOs and database Business Consult BV

3.4.1. From single parcel items to supply-chain parcels and Logistic Services

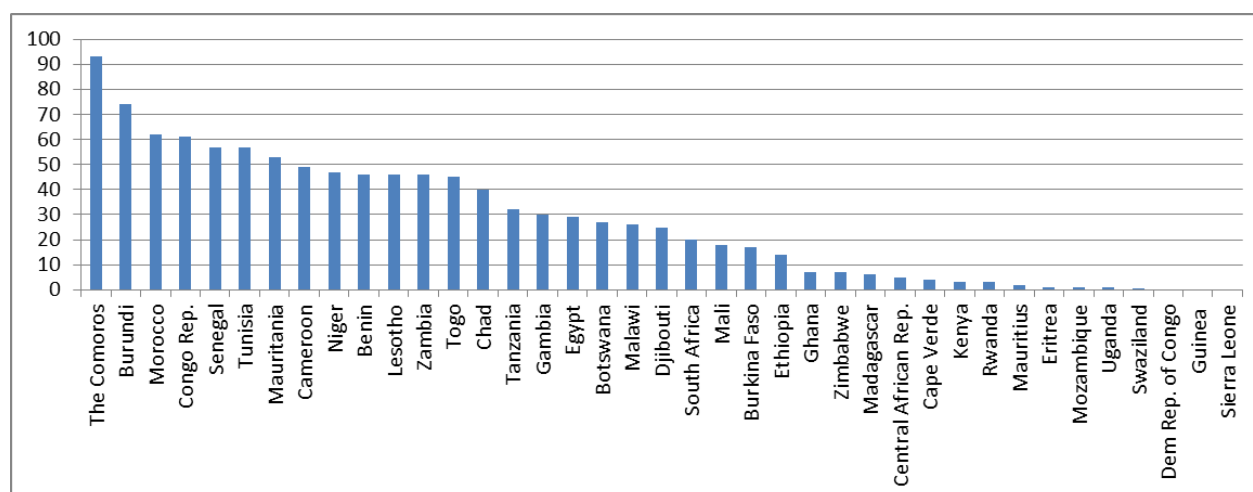
The Generic UPS definition of the UPU includes parcel items. This originates from a time that the Post was the only parcel provider, which for decades is no longer the case. While Posts always have been strong in the delivery of single item parcels, they have not developed parcel services as integral part of supply chain logistics services.

With supply-chain parcels are indicated for example delivery of computers on behalf of a computer supplier in the country including warehousing and tracking & tracing of valuable items, time-definite delivery, insured delivery, delivery standards and penalties.

In many postal organisations delivery of single item parcels is not a profitable business activity, while supply-chain parcel delivery requires a professional handling of Logistics services in all aspects of this business activity. In Africa only South Africa's designated postal operator shows development into this direction, while others do not specifically deal with such development into Logistics services.

3.5. Business area Financial Services with DPO's in Africa

The following overview indicates the income from Financial Services as percentage of total income over the years 2010 (or 2009 if not available) as provided to UPU.



Source: UPU Statistics 2011

From this overview the following relevant conclusions can be drawn:

- An increasing number of African countries generate more income from Postal Financial Services than from Mail services;
- This trend is most visible in those countries which have heavily invested in the network at postal service points with computer based postal financial services provision and a proper ICT interchange network for secure and fast money transfers.. Examples of such steep increase of postal financial service transactions over recent years are Tunisia, Congo, Burundi and Senegal with some others developing financial services according to changes in strategic orientation such as in Botswana, Benin, Cameroon and South Africa.
- One of the most challenging issues to solve is the allocation of costs between business areas and in particular the allocation of network costs and overhead related to universal and commercial services provision. Activity Based Costing allows for easy allocation of costs based on number of transactions per business area. However, the competing needs of the

business areas may determine the type of network required by the postal operator. The provision of financial services may lead to postal operators wanting “owned” post offices, rather than postal agencies. This makes allocation of costs to business areas more complex.

- The development into postal financial services requires a suitable approach currently subject of another Study²⁴ implemented for the African Union Commission in parallel to this Study. The main objectives of the Postal Financial Services Study are;
 - a. A diagnosis of postal financial services in Africa, including the institutional developments that have shaped the sector;
 - b. A review of partnership models (worldwide) between postal institutions and other players (e.g. banks, microfinance institutions, mobile network operators, etc.), implemented to broaden the range of services offered and to support financial inclusion efforts;
 - c. An analysis of the applicability of these partnership models within the African context;
 - d. Policy recommendations mainly on partnership models;
- The separate attention of AUC for the development of postal financial services shows how important this development can/will be for the postal sector in Africa, while it may be expected that countries putting efforts in this direction will benefit from increase of transactions through the postal network in terms of post office counter transactions and related mail volumes.

Some examples African countries	
Senegal	<p>La Poste Senegal provides services under the brand name POSTEFINANCES covering postal cheques, savings bank transactions (Caisse d’Epargne) and money transfers. Within the category POSTEFINANCES a range of financial services are provided in “Partenariats” (partnerships) with other services providers (CNLS, CASE DES TOUT-PETITS, EDUCATION SANTE, HUMAN APPEAL INTERNATIONAL, CGF GESTION, FONDS D’IMPULSION DE LA MICROFINANCE, OXFAM and IPRES) which explain the high income with La Poste Senegal from Financial Services, while EMS services are accounted for under the next business area: Other Services.</p> <p>Note consultant: in some other countries such services are positioned under Agency Services, although most of these Agency services are effectively postal financial services</p>
Burundi	<p>Burundi Post offers postal financial services, such as:</p> <ul style="list-style-type: none"> • postal giro accounts (CCP) of individuals, public and private organisations • the treasury accounts • issuing and payment of postal money orders • transfer of funds and the payment of public servants' salaries <p>All postal financial services account for over 70% of total income, which has to be seen against the background of very low mail volumes, as recorded less than 1 per capita, only 2% home delivery and over 70% of the population not served by postal services. While postal financial services are increasingly used, this explains the relative high income from financial services with Burundi Post.</p>
Tunisia	<p>La Poste Tunisienne provides one of the successful examples of developing ICT based postal services mainly used for postal financial services.²⁵ In the period 2000-2006 ICT based services grew from nothing to 20% of total income. In this period a postal e-business strategy was developed to capture e-based activities in e-Commerce, e-Finance, e-Government, e-Logistics and e-Learning. The e-Dinar is a virtual pre-paid card like an</p>

²⁴ AUC Study 1st quarter 2012, Development of Postal Financial Services in Africa: Strategies to Increase the Inclusion of Low-Income Populations

²⁵ Presentation Mr. El Hadj Gley, CEO & Chairman- La Poste Tunisienne, Montpellier (France) 22 Novembre 2005.

	<p>electronic wallet enabling customers to pay in many locations without needing a bank and/or postal current account. Electronic mail solutions are also adding to broadening the revenue base with services/activities such as Internet access points at post offices, electronic PO Boxes and online advertising applications supplemented by many different on-line payment solutions. Also new are the so-called cyber-administration applications such as payment of pensions, passport forms and applications and customs forms. The last decade the number of ATM transactions through postal outlets has grown from 15.000 in 2000 to 127.000 in 2010.</p>
Niger	<p>In the period 2008-2010 the income generated by mail activities with Niger Post has fallen from 42% to 23%, while income from postal financial services has increased from 35% to 47%. At the same time it is noticed²⁶ that the postal system is in a difficult position and needs serious investments to develop its service provision. The development of new services, such as Mandat Express International (MEI) from 2006 show the aim of capturing a larger part of the money transfers into the country.</p>
Botswana	<p>BotswanaPost developed a Strategic Plan for the period 2006-2011 under the name PINAGARE with one of the main objectives to develop new services in the near future. Under the Botswana Savings Bank Act both BotswanaPost and Botswana Savings Bank (BSB) have to work together to facilitate the provision of financial services to the people. The BSB Act, however, did not provide any guidance in terms of how such a relationship should in practice work. It is silent on crucial aspects as the basis for the setting of service, infrastructure costs and other related expenses. In practice the two institutions have for a long time difficulties to work closely together, while also falling under different policy, legal and regulatory regimes does not contribute to strategic cooperation. However efforts to establish a Postbank are now underway and prepared to boost financial services and financial inclusion in the country.</p>
South-Africa	<p>SAPO is developing a Postbank, which is expected to become a separate company within the South African Post Office group in the next three years. All the financial functions and payment products will be aligned under this division to provide more financial services to all South Africans. The Annual Report 2010 indicates Postbank activities growth of >10%, which if continued would change the revenue base of SAPO in the next decade.</p>

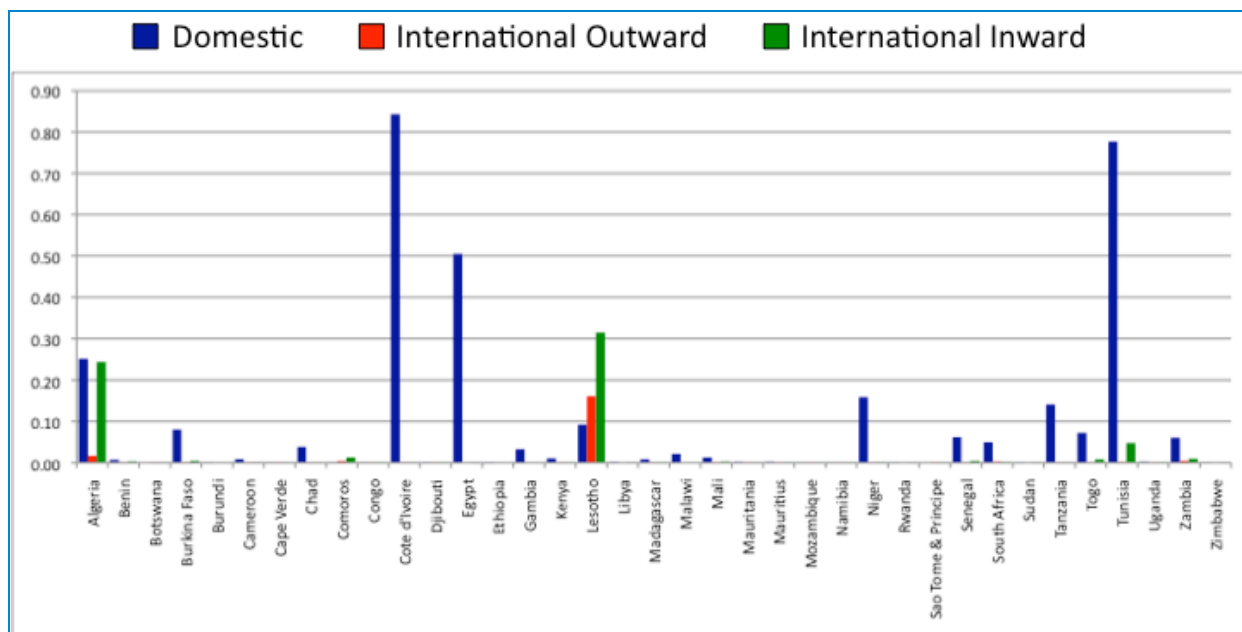
Source: Annual Reports and other data DPOs and database Business Consult BV

3.5.1. Postal Money Orders

Money orders have existed for more than 200 years as a means to transfer money from one party to another through the postal system. Before electronic transfers made it possible to transfer money instantaneously postal money orders were an essential service and in some countries were included as part of universal service.

However, it appears the value of the postal money order as a product has declined in recent years as the chart below shows.

²⁶ Foreword by Director General El Hadj Hassoumi SALEY on website Niger Post (January 2012)



Source: UPU Statistics 2011

The chart shows money orders per capita per annum and it can be seen that even in the most successful countries there is less than one money order per capita per annum.

In the case of international money orders it can be seen that money order traffic is virtually non-existent. The cause of this decline cannot be determined by UPU statistics but it is likely a number of factors have contributed to the decline. Notable among these are competing offers from banks and international remittance companies and more recently the transfer of money through mobile phones, which is growing massively throughout Africa.

3.5.2. Financial Inclusion²⁷ and development of Postal Financial Services

In the framework of the UN Millennium Goals and fighting poverty the theme of Financial Inclusion has become increasingly important to provide access to financial services for the population at large.

The provision of basic postal financial services contributes significantly to global economic and social development and plays an important role in improving living standards.

It is clear, as one of the very few nationwide infrastructures, that the postal network can play an important role in this development towards improved financial services, micro-credits and providing bank accounts to a larger part of the population.

This will be the subject for the other AUC Study on Financial Services, which is the reason not to elaborate this subject here in more detail.

Financial services and specifically financial inclusion could be part of the postal universal service but it is not recommended this be the case. Financial inclusion is a relevance to the country but the Government should place such an obligation with the finance industry as a whole rather than exclusively with the postal operator. Thus it should be the responsibility of the Ministry responsible

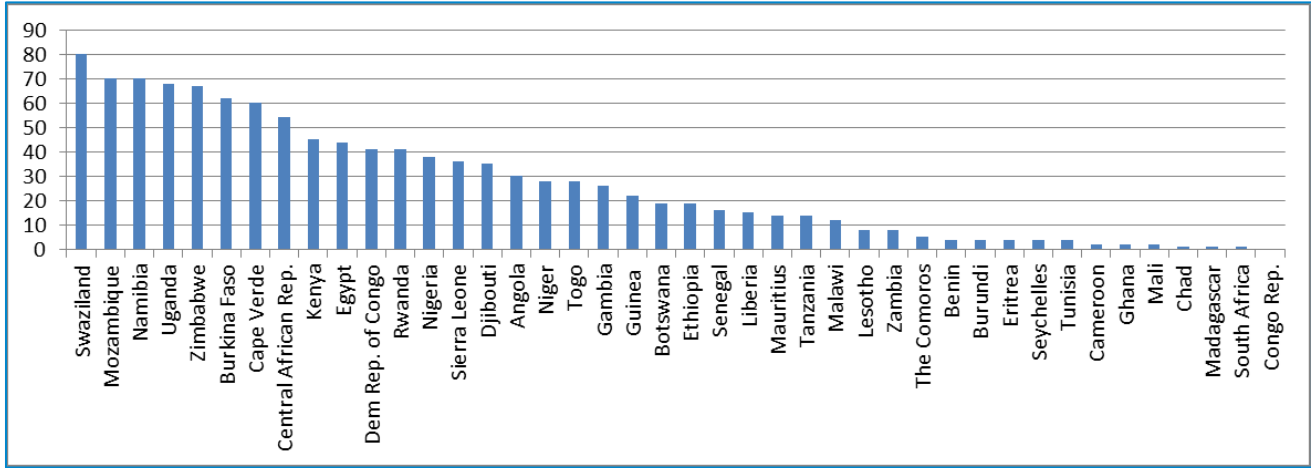
²⁷ UPU definition: Financial inclusion is the provision of basic financial services (savings, payments, money transfers) to people without access to such services.

for financial services to define the level of universal service expected of financial institutions. That is most likely to be through a national bank or through shared responsibility by all banking and financial service providers. Depending on the scope of universal financial services there may be a role for postal operators to participate in its delivery but it is increasingly likely that new technology providers are better placed to delivery financial inclusion. In many countries in Africa it is clear from our findings that postal operators do not have the capacity to deliver universal postal services. Further to this those that do provide financial services have very small market share. Bestowing on them a responsibility to provide universal financial services will serve little benefit to the postal operator and even less benefit to the people targeted at financial inclusion.

The rapid development of new technology provides Governments with an opportunity to look at how mobile operators and internet service providers can provide financial services to rural and deprived communities. That is why it is essential that postal, telecom, ICT and financial sector policies are linked to ensure synergy in the provision of each service.

3.6. Business area Retail & Agency Services with DPO’s in Africa

The following overview indicates the income from Other Services as percentage of total income over the years 2010 (or 2009 if not available) as provided to UPU.



Source: UPU Statistics 2011

From this overview the following relevant conclusions can be drawn:

1. Most of the income generated by “other services” comes from so-called “agency services”, rental of post-office space, retail sales through post-offices, shop-in-shop locations, etc. Statistics do not provide more detailed insight in this category of postal revenues.
2. When such **Agency Services** are performed for 3rd parties to collect and transfer social allowances and out-payments, a large part of this category may still fall under postal financial services.
3. This category of Other Services provides evidence how the postal system may capitalize on one of its greatest assets, having the nation-wide coverage and one of the most developed infrastructures in many countries.

Some examples African countries	
Burkina Faso	In the category of other services SONAPOST indicates development of more than 20 Cyberpost locations providing internet to customers and a decrease of traditional mail transactions through counters.

Swaziland	<p>SwaziPost has focused on expanding its Agency Services²⁸, which continue to increase to its overall income as the key revenue driver. The aim is to continue adding new services, such as collection of school fees in 2010. In spite of this SwaziPost has identified the mail business as a key growth areas for the business. The completion of the additional post boxes in some areas has resulted in a 30% increase of business in these locations, although an overall slight decline was noticed, which underlines the attention points in postal policies and strategies that expanding the network is important for mail development and increasing access. The increase of activities and income is realised through “Communication Centres” which according to SwaziPost clearly indicate the shift in customer demands from traditional services to ICT based services. For this reason SwaziPost is continuously expanding its Point of Sale (POS) computerised network at postal service points adding another 30 postal outlets in 2011.</p>
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Zimbabwe	<p>Zimpost provides the following category of services:</p> <ul style="list-style-type: none"> • Mail services • Financial services (electronic money-order, e-Mali, Exchange 4 free, Rand Postal Order, Ecocash and One Wallet) • Retail services • Agency services (collection of money or payments on behalf of other parties such as Pension Fund NSSA, First Mutual Life, POSB (The People’s Own Savings Bank), utility bills for mobile telephones and Zesa. • Advertising services <p>Most Zimpost Agency services are actually financial services, which highlights one of the problems with UPU statistics. Many operators show financial service income in Other income.</p>
South-Africa	<ul style="list-style-type: none"> • In 2010 the South African Post Office facilitated the public participation in the South African Breweries’ Zenzele share offer through post office branches nationwide. • SAPO also offers payment channels for social grants, collecting revenue on behalf of 100 municipalities and enabling them to continue with service delivery. • Provincial transport departments in Gauteng, KwaZulu-Natal, Limpopo, the Free State and the Eastern Cape also use post office branches as renewal points for motor vehicle licences

Source: Annual Reports and other data DPOs and database Business Consult BV

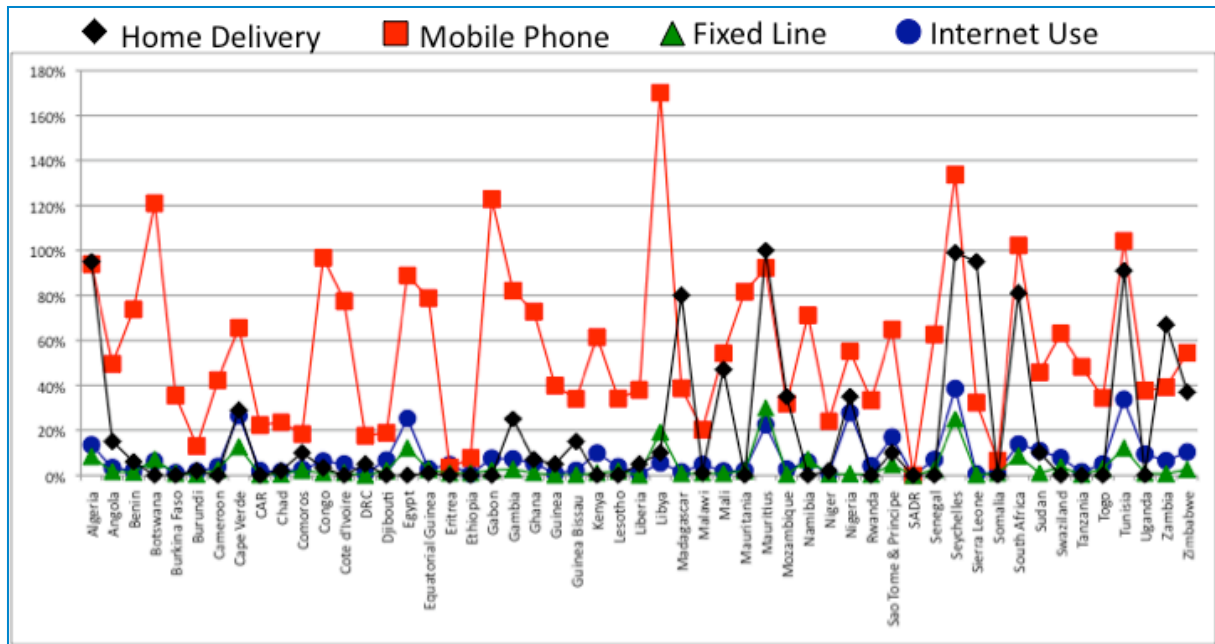
3.7. Development of ICT based postal services

3.7.1. ICT and postal indicators

When considering postal indicators it is important to acknowledge that it is part of the wider communications sector and developments in ICT based communication services.

The chart below compares the provision of home delivery to the mobile and fixed line penetration and the percentage of the population using the Internet.

²⁸ Annual Report 2011 SwaziPost



Source: UPU Statistics 2011 and CIA Factbook 2012

The most striking feature of the chart is the penetration levels of mobile phones throughout Africa. It can be clearly seen that more than half AU member countries have mobile phone penetration levels of more than 50% of the population. The other clear message from the chart is that in virtually all cases the level of mobile phone use exceeds by far the provision of home delivery. The implications of this will be considered further in this report in our analysis of UPS provision for the future.

3.7.2. Development of e-postal services in Africa

Designated postal operators are increasingly aware of the necessity to provide e-services²⁹ and according to recent research by UPU are implementing different kinds of e-services.

The definition of e-services is “postal electronic services (e-services) as services delivered by Posts to their end customers, through information and communications technology (ICT) channels. The Internet is the main e-service delivery channel, while other telecommunications channels (e.g. mobile phone, call centre, or television) are also considered.”

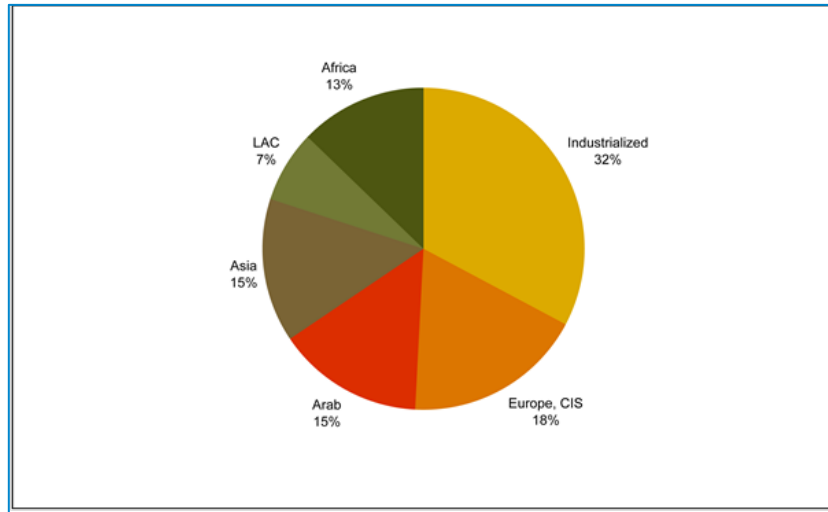
Among the 93 participants in the survey were 21 countries from the Africa region. Some relevant conclusions for the purpose of this Study:

- Postal e-services are growing globally, but there is a divide between industrialized and developing countries;
- Postal e-services index shows that not all developing countries are trailing behind;
 - In Africa, most activity is in e-post and e-finance, with South Africa leading the way, followed by Kenya and Gambia;
 - Development of postal e-services: a regional analysis shows Africa lacking behind with other regions;
 - There is quite an even spread of activity across the Europe and CIS, Arab, Asia and Africa regions – but at a lower level than in the industrialized countries Sixteen countries from the Europe and CIS region provide 18% of the total number of postal

²⁹ Measuring postal e-services development: an industry perspective – UPU-CEP C 4 GSE 2011.2–Doc 4.Add 1

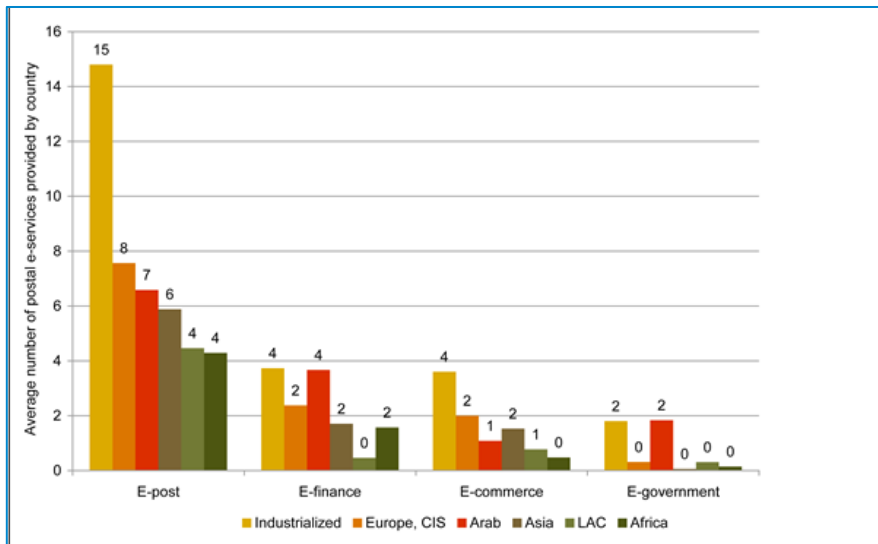
e-services. Next, 17 countries from Asia, 21 countries from Africa, and 12 Arab countries provide around 14% each of the global totals.

- The next figure shows the percentage of postal e-services provided by each region compared to the overall number of postal e-services provided worldwide;



Source: Measuring postal e-services development: an industry perspective, UPU 2011

- Innovation capability influences the development of postal e-services more than wealth does. The e-services strategy, management and profits are still not aligned;
- E-commerce services are very limited in African, Arab and LAC countries, as Posts in these countries provide a maximum of one e-commerce service on average;
- Average number of postal e-services provided per country for each group of services is indicated in the next figure.



Source: Measuring postal e-services development: an industry perspective, UPU 2011

- Important conditions for development are Strategy making, Financing, Market development and Organization development to be successful in e-services with DPOs.

3.8. Typology of the African countries in UPS matters

For the analysis of the current situation 3 main resources are available:

1. A range of Integral Postal Development Plans (IPDP) made from 2005 in many countries incl. 21 African countries
2. Analysis underlying the Regional Development Plan Technical Cooperation for Africa made by UPU in 2009
3. Situation analysis by sector stakeholders for the region and per country. Reporting from country specific projects by policy-makers, postal regulators, national postal operators and consultant reports.

3.8.1. Integrated Postal Development Plans (IPDP)

Since 2005 the UPU and PAPU have been involved in drafting Integrated Postal Development Plans³⁰ based on a common strategy and training³¹ of staff to realize IPDPs in countries aiming at postal sector reform.

No.	Country	Year of completion
1.	Benin	2005
2.	Chad	2005
3.	Gambia	2005
4.	Mali	2005
5.	Burundi	2006
6.	Comoros	2006
7.	Lesotho	2006
8.	Rwanda	2007
9.	Congo Rep.	2008
10.	Equatorial Guinea	2008
11.	Malawi	2008
12.	Mozambique	2008
13.	Seychelles	2008
14.	Togo	2008
15.	Dem Rep of Congo	2009
16.	Sierra Leone	2009
17.	Swaziland	2009
All IPDPs completed in period 2010 and 2011		Update with UPU

Source: List IPDPs UPU 2005- 2009

The consultant is not aware of other IPDPs developed since 2009 from UPU web site information, so it must be assumed that most countries interested have been covered.

Some important observations and conclusions³² from the IPDPs are:

1. The IPDPs have mostly been implemented in less-developed countries having relatively more problems in providing universal access on a sustainable basis;
2. When the first wave of IPDPs were made, the ICT developments were less taken into consideration³³, while any new IPDP can no longer ignore the impact of ICT on service provision in the overall communications market;

³⁰ UPU List of IPDP 2005 -2009 showing involvement of 21 African countries

³¹ IPDP Training modules and R1.Conceptual document on the IPDP approach by UPU January 2007

³² Consultant has frequently requested insight in IPDPs from sector institutions to be able to monitor progress in policy-development and implementation of postal sector reforms, unfortunately without any response.

3. The IPDPs have assessed the current situation in the countries involved and have resulted in proposals to develop the institutional framework for the postal sector aiming at (re-)drafting postal sector policies, establishing regulatory functions and entities and (re-)drafting postal laws;
4. It is observed that most countries have implemented such institutional reforms, but analysis of results remains limited as documents are hardly (made) available from public resources;
5. From available (public and accessible) information³⁴ it cannot be assessed what the impact has been on development of the postal services in the countries concerned. The lack of information does not only apply to mail volume developments, but also financial reporting in the countries concerned is not available;
6. In all countries liberalisation of the postal market has mainly led to an increasing presence of private sector postal operators in the market for courier and express mail. While a large number of local operators have developed services mainly for the capital or main cities, the international courier and express mail markets in all countries face impact of the global integrators (UPS, DHL, FedEx, TNT and DPD) on cross-border mail volumes;
7. For many postal regulators this has been the reason to try to include such courier and express mail operators into the regulatory framework for the postal sector. On a global scale the courier and express operators do not consider themselves to be postal operators making a distinction between the Postal Industry and Express Mail Industry. The fact remains that if such operators are drawn into the institutional framework for the postal sector, the regulatory activity is expected to have some positive function beyond paying for licensing.
8. From our experience in projects in Africa, it is clear that postal sector regulation is still in the first phases of development. Establishing a postal regulatory function or authority does not automatically imply that such an institution is effective and/or has actual impact on postal sector development in the country.
9. It seems that collecting money from authorisation and licensing is a favourite activity without much transparency what such sector regulations means for sector stakeholders involved. However some countries are making progress with relevant reporting of activities from postal sector regulators (e.g. South-Africa)

³³ This observation was an argument for a recent e-Benin postal project to review the previous IPDP analysis and supplement such analysis with the impact of ICT on the postal sector

³⁴ It is considered that the IPDPs could be made available on postal regulators web sites as to commit all stakeholders and sector institutions to postal sector reforms.

3.8.2. Analysis UPU/PAPU for Regional Development Plan for Africa

Both UPU and PAPU have been involved in drafting the **Regional Development Plan for Africa** for the period 2009 -2012 with the following main objectives:

No. 1: Improving quality of service at all levels	<ul style="list-style-type: none"> – Achieve by 2008 the world standard of J+5 for 65% of letter post in the majority of African countries. – Promote participation in continuous testing of quality of service and extend use of IPS and IPS Light. – Promote the use of barcodes for parcels and registered items. Enable countries to achieve EMS quality objectives. – Introduce a standardized mail addressing system.
No. 2: Developing the postal network	<ul style="list-style-type: none"> – Bring the average number of inhabitants served by each postal establishment below the current average for the continent of one establishment per 93,963 inhabitants in every African country. – Strengthen and modernize the universal postal service. – Develop various forms of postal presence.
No 3: Diversifying services	<p>Increase the corridors and transactions in the electronic postal payment services, particularly by extending IFS use in African countries with high rates of emigration.</p> <ul style="list-style-type: none"> – Develop the collection of rural savings and account services and introduce these services in countries that do not have them. – Develop the parcel post service. – Develop initiatives such as Internet service provision as part of an e-government policy.
No 4: Modernizing management and streamlining the organization of designated operators	<ul style="list-style-type: none"> – Identify market developments and customers' needs and activities. – Develop strategies for the various market segments. – Put in place cost accounting systems in postal administrations (prioritizing LDCs). – Develop the skills of postal employees through training, particularly using TRAINPOST.

Source: UPU Regional Development Plan for Africa 2009–2012, November 2009

Some important **observations and conclusions** of the consultant from the Regional Development Plan for Africa objectives are:

Concerning the objective **No. 1: Improving quality of service at all levels**

1. The 4 main objectives show in which specific areas the postal sector in Africa is in general lagging behind. It must be noted that some countries have developed far beyond these objectives, with others still far from reaching them; In public available documents no reference is made to progress made in a majority of countries;
2. In the objectives a transit time performance standard is indicated of D+3 for 65 % of letter mail, which is limited when compared to EU practices with most countries having a D+1 transit time performance for over 90 % of the ordinary letter mail;
3. The speed and reliability of mail conveyance in many African countries is also still below UPU standards, while these standards are already considered as limited in terms of capture of and development of mail volumes. Africa shows huge disparities in speed and reliability of mail volumes with some countries close to UPU standards for PO Box delivery (Botswana) and others far from this common UPU transit time performance standard (DR Congo);
4. The application of testing systems is limited in many countries and the situation needs improvement to be able to report progress on the quality of postal services;

5. While the use of barcodes has increased over recent years it is still not a common feature of postal technology, while the contribution to EMS objectives is key to the regional development plan;
6. The use of standardized addressing systems should in principle be easy when delivery to PO Boxes is concerned.

Concerning the objective **No. 2: Developing the postal network**

1. As analysed previously African countries have a way to go to increase access to the postal system and the objective of realizing a ratio below the current average of 94.000 inhabitants per postal service point is very general and as such is not relevant for common policies;
2. The objective to realise various forms of postal presence is a challenging one as finding new, better and creative ways for service delivery will results in many objectives at the same time, such as increased access, increased coverage and improving universal service delivery.
3. It can be observed that especially state owned and even more state managed postal operators find it somehow difficult to establish new service points for which the management of the postal operators has no direct control.
4. Lessons can be taken from mobile operators that have established a cost-effective network of pre-paid card vendors throughout Africa

Concerning the objective **No 3: Diversifying services**

1. The trend towards diversification of postal services has begun³⁵. In 2007, around 63% of revenue from postal operations in the region's countries was generated by the letter post (compared with 67% in 2006), 11% came from parcels, express courier and logistics services, 19% from postal payment services, 7% from other products and services (figure 4). Postal payment services are becoming increasingly important in some countries: in Benin, Burkina Faso, Burundi and Congo (Rep.) postal payment services represent 60% or more of designated postal operators' revenue. Chad, Côte d'Ivoire (Rep.), Eritrea, Malawi, Togo and Zambia are among the countries where this percentage is, at the very most, 30% of total revenue.
2. From the actual analysis of the four main business areas the conclusion can be drawn that many countries have been successful with developing and implementing a diversification strategy for the DPO's for the main reason that mail volumes are either stagnating or declining and the postal network can/must be used to provide other services;
3. From available UPU statistics it is clear that the majority of designated postal operators have less than 50% income from mail activities (compared to an average of app. 67% in 2006). For some with relatively higher volumes the trend may be downwards, but at the same time there is still room for mail services development in a large number of countries with under-serviced population.
4. In the Mail business area DPO's can still find room for improvement in developing hybrid mail options, develop advertising mail, provide mail room management for large users, enter into commercial agreements for bulk mail with large users, bring the delivery channel closer to the customers, increase the quality of mail conveyance, to mention just a few.
5. The main focus of diversification is:

³⁵ Postal Action Plan Africa (PDPA) - UPU 2007

- a. In the Business area Parcels and Logistics in aiming at providing solutions for better parcel delivery by the postal system beyond single items for large senders of parcels and fulfilment of internet purchases and orders;
- b. In the Business area Postal Financial Services, the strategy must be developed in providing a full range of postal financial services accessible and affordable for the population at large. As this is the main subject of another report, we do not elaborate this area in detail, but it is clear that most DPO's are well positioned to capitalize on their nationwide postal network provided proper business conditions are in place.
- c. In the area Other Services, some DPO's prove to be very successful in partnerships with other financial service providers, renting out post office space, retail sales for other service providers and various other so-called Agency services.

Concerning the objective No 4: Modernizing management and streamlining the organization of designated operators

1. This is according to consultant's view and experience the most challenging strategic area to find improvement for the main reason that having a sector policy in place and having established sector regulations does not change postal operations and performance as such, but has to be followed by postal reform of the designated postal operator.
2. Separating the ownership functions from that of policy maker, regulation and designated postal operator functions has proven to support postal sector development in other countries through clear and transparent results. The different responsibilities of the different stakeholders has also lead to more explicit choices for policies, strategies and postal sector development through public-private partnerships.
3. While considerable progress has been made in Africa on developing sector policy, regulation and the role of the designated operator, little has been done in the area of ownership and investment. If the State retains ownership it also implies the State will be the investor except in a few cases where subsidiaries are allowed to seek private sector investment or partnerships. State Owned Enterprises do not generally have such subsidiaries, while State Owned Enterprises may have more scope for value added and commercial postal services. The roles of ownership and investment needs to be given higher priority by policy makers to ensure postal sector development can be achieved.
4. In Europe the majority of postal operators are corporatized with independent management but there is a move towards privatisation of operators. In the rest of the world most DPOs continue to be state owned or state managed, with the latter being subject to the influence of the policy maker or owner. In Africa DPOs are state owned and due to their structural deficits most are de-facto state managed. The lack of independence due to legal status, lack of financial resources and human resource capability are major hurdles to postal sector development. DPOs being state owned deprives them from access to the capital market to fund their development.

Europe	Asia-Pacific	Africa
<ul style="list-style-type: none"> • 23 DPO's state owned but in majority corporatized • 4 state majority shareholding • 2 minority state shareholding 	<ul style="list-style-type: none"> • In majority corporatized with full state ownership • Few exceptions such as Singapore and New Zealand with privatised DPO's 	<ul style="list-style-type: none"> • In majority fully state owned • Dominantly major dependency on state functions and funding • Increasingly corporatized but

<ul style="list-style-type: none"> • 2 no state shareholding • Increasing private sector participation 		limited private sector participation
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Source: Annual Reports and other data DPOs and database Business Consult BV

5. One of the least developed areas is the area of financial accounting and financial reporting. On most web sites of African postal operators it is hard to find any annual report or reference to operational and financial performance. Best practice is found in SADC countries such as Botswana and South Africa. Others do provide good annual reports but overall the accounting and reporting lags behind reasonable business practices.
6. Underlying to financial accounting and reporting is the use and application of cost-allocation systems. The Post is a network organisation with many different services going full or in part through the same network (transport and sorting) and entry points and delivery points of this network. Related to a cost-accounting system is use of statistics. Both cost-allocation and statistics still need a lot of effort in African countries to make the postal system more efficient.
7. According to UPU policies and guidelines, any designated postal operators providing universal and commercial postal services should separate cost-accounting because universal services are in most countries related to reserved services (monopoly) while the same postal operator is in competition with other services with private sector operators. Postal regulators in African countries hardly provide any information of monitoring of cost-accounting and/or are underway to develop more awareness of problems in this area. But without progress on issues mentioned in point 6 above, no real progress can be made in this area.

Concluding:

- The main objectives of the **Regional Development Plan for Africa** for the period 2009-2012 remain valid and valuable for improved UPS and other postal service provision.
- From the consultant's observations and conclusions it is clear that many problems are underlying the current situation and need to be addressed to make progress.
- Although many indicated challenges involve the designated postal operator it is clear that if this postal operator is highly dependent of government for its resources, investments, pricing policies, access to capital, civil service staff, joint ventures and many more issues, progress can only be made if all sector stakeholders work together towards a common future.
- In the consultant's experience **governance** of the postal sector and **professional capacities of postal management** are absolutely keys to success or failure in postal reforms.

3.8.3. Situation analysis by sector stakeholders for the region and per country

An overview of the current situation in Africa with a focus on UPS is recently provided by PAPU³⁶.

<p>Presentation by Mrs Rodah A. Masaviru, Secretary-General of the PAPU in the 2010 UPU Strategy Conference in Kenya³⁷ with a focus on Universal postal service provision in Africa.</p>
<p>Considering Strategy objective: Stimulating a universal postal service adapted to the social, economic and technological environment” The aim is to ensure that every citizen sends and receives quality postal items and services, defined in terms of speed, accessibility, security, reliability and affordability, consistently and in line with the changing Socio-economic and Technological environment. It is imperative that these services are adapted to the unique realities of each country.</p>
<p>Where is Africa now?</p>
<p>DEFINITION Over 70% of African countries have defined the Universal Postal Services, with a number of them wholly adopting the UPU guideline definition.</p>
<p>SCOPE In most of the member countries the UPS covers:</p> <ul style="list-style-type: none"> • Letters, post cards, periodicals, small packets of up to 2 kg. • Documents for the blind up to 7 kg. • Registered items • Financial services
<p>QUALITY OF SERVICE Recent quality control tests reveal that the average transmission times vary widely, ranging from J+2 to J+32 for ordinary mail items, a clear indication that a lot of work still needs to be done to achieve the standard of J+5 at 80% set by the 24th UPU Congress. The Quality of service is largely affected by the state of infrastructure, frequency of flights, and the existing national addressing systems. The tariffs for the services are mainly controlled to ensure affordability; Delivery is mainly through private letter boxes with only 23% of the countries providing home delivery services, due to cost considerations and lack of appropriate national addressing systems. Countries are now in the process of developing the systems, with a few having made significant progress.</p>
<p>FINANCING Financing Universal Postal Service in Africa is a major challenge.</p> <ul style="list-style-type: none"> • Currently it is mainly financed through Reserved services and government subsidies; • In many of the countries, Universal Service Fund is captured in policy documents but has not been operationalized. • The countries are yet to determine the cost of providing universal service due to challenges of data capture.
<p>REFORM</p> <ul style="list-style-type: none"> • 46% have separate regulatory functions from operations • 73% have a postal legislation in place • 65% of the designated operators are autonomous while the rest are government departments <p>Embracing Reforms is a critical step towards transformation of posts into self-reliant and market driven enterprises. This will entail formulation and enforcement of appropriate policies and regulations and capacity building.</p>

³⁶ PAPU- Pan-African Postal Union, a regional body from the UPU

³⁷ The 2010 UPU Strategy Conference: Status of implementation of the Nairobi Postal Strategy for Africa: Focus on the universal postal service by Mrs Rodah A. Masaviru- Secretary General of PAPU, on 22-24 September 2010 in Nairobi-Kenya.

ADAPTATION TO SOCIO-ECONOMIC DEVELOPMENT

Aligning NPS to National Development Plans

The Nairobi Postal Strategy, being a roadmap for the development of the global postal network, provides much needed inputs to the development of posts at the national and regional levels.

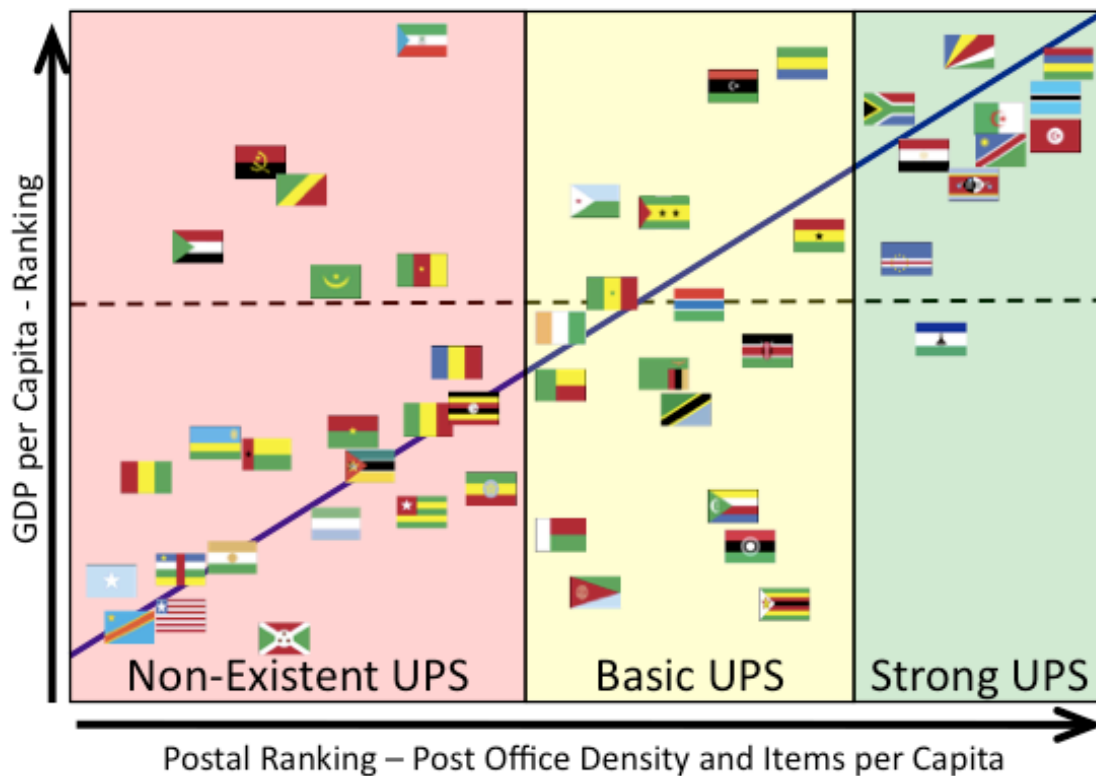
Adaptation of the Universal Postal service to national development plans is therefore key in addressing national critical areas of concern such as:

- Poverty eradication
- Financial inclusion
- Infrastructure development
- Service Delivery – Education, Health, social welfare, peace and security, integration, among others.

The majority of UPU Member States, including those in Africa, have since 1999 defined UPS provision in accordance with or with reference to the generic UPU definition for UPS. As noticed in this PAPU presentation over 70% of African countries have defined the Universal Postal Services, with a number of them wholly adopting the UPU guideline definition.

3.8.4. Typology countries for provision of Universal Postal Service

The diagram below places AU members into one of three categories of universal postal service provision. The diagram considers the ranking of members in terms of GDP per capita and a postal ranking. The postal ranking is based on the combined ranking of population per post office and items per capita. We wanted to establish if there was a direct correlation between GDP per capita and provision of universal postal services.









If there were a correlation the flags would be centred on the blue diagonal line and it can be seen in many cases that is the case. This is particularly so in those countries we consider to provide strong universal postal service. A strong service is based on providing a relatively high number of post offices per head of capita and having higher items per capita per annum.

The countries with the strongest universal service provision have different models of providing UPS. The top ranked country, Mauritius, provides six day per week delivery to every home in the country. Tunisia, Algeria and Seychelles are three other countries that also provide home delivery as a universal service standard. Botswana and Namibia are also ranked in the top group but provide universal service exclusively through post office boxes.

These two quite different models of “Strong UPS” have developed due to the different conditions found in each country. Mauritius is able to provide home delivery because it is a densely populated country with 632 people per km². On the contrary Namibia has 2.6 and Botswana 3.5 people per km², which make wide scale home delivery virtually impossible. In the long term it is likely that the PO Box universal service model will be the most viable. Not only is it the most cost effective way of providing delivery services, it also provides a valuable revenue stream to post offices.

Of greater concern are the countries that are shown above the horizontal dashed line in the diagram, especially those in the non-existent UPS segment. Why do countries with such high GDP per capita have such poor postal rankings?

Non-Existent UPS Countries

-  Equatorial Guinea – With the highest GDP per capita in Africa it lags far behind expectation in terms of provision of postal services. With only one post office per 72,000 people it also has a meagre network and mail volumes are also extremely low.
-  Angola – A country ravaged in the past by war Angola has only one post office per 315,000 people and only 0.2 items per capita per annum
-  Congo – With a post office for every 80,000 people it is better than many in Africa but mail volumes are virtually non-existent according to UPU statistics
-  Sudan – Another country with virtually no reported mail volume it has a post office for every 217,000 people
-  Cameroon – With only one post office per 80,000 people and 0.14 items per capita it performs poorly compared to countries with similar GDP per capita
-  Mauritania – Although a GDP per capita of \$2,100 is not high it still does not provide postal services in line with countries at a similar economic level

Basic UPS Countries

-  Gabon
-  Libya
-  Djibouti
-  Sao Tome & Principe

In the countries considered to provide basic universal postal services those above would be expected to provide more post offices or have higher per capita mail volumes.

On the contrary there are a number of countries that provide much better universal postal service than might be expected according to their economic position.

Basic UPS Countries

-  Zimbabwe
-  Malawi
-  Comoros
-  Eritrea
-  Madagascar

In the countries considered to provide basic universal postal services those above would be expected to provide more post offices or have higher per capita mail volumes.

It appears that a rapid growth in GDP does not lead to postal development. Countries such as Equatorial Guinea and Angola may have developed on the back of oil revenues but this has not impacted their postal networks. It is more likely that countries with a good existing network would be more likely to benefit from improved GDP. For example, if the economy of Zimbabwe or Malawi were to grow significantly the postal operators in those countries might be better placed to take advantage of such growth. It is fair to conclude that economic growth alone is not enough to lead to postal sector development. It is likely that Government also needs to provide some impetus for the postal sector to grow through a coherent postal sector policy.

3.8.5. Conclusions on progress postal reform and UPS provision:

The consultant team members have contributed to postal sector reform efforts in a large number of countries, having hands-on experience on postal practice and implementation of such reforms.

One important observation is that the reality in policy-papers is much better than real practice with many countries underway over a long period to implement such reforms and showing real impact on the ground and postal regulators still underway learning about regular reporting on progress made.

In general the typology of African countries in UPS matters shows the following situation:

1. Many countries have separated the roles of policy, regulation and operation but it has not led to significant development of the postal operator.
2. Others have still to carry out reforms in the area of policy, regulatory frameworks and establishment of a regulator
3. Policies, laws and sector regulations are in general limited on elaboration of Quality of Service (QoS) standards (access and speed) imposed on the designated postal operator for UPS
4. From the QoS standards the Speed/Transition time (D+1,D+2-D5) is most commonly used to make tailor-made solutions per country while establishing some basic standards for cross-border mail items between African countries as well.
5. The impact of developing nationwide addressing systems is limited as long as most postal operators (have to) rely on the PO Box as main delivery channel.

3.9. SWOT of the Strategies set up so far

<p>Strengths</p> <ol style="list-style-type: none"> 1. Focus on general UPU policies and catching up in countries involved has generated many initiatives for postal reforms, some with impressive results. 2. Most countries have separated policy-maker, regulatory and operator functions in separate institutions. 3. Most countries have established a postal regulatory framework or plan to do so in the next few years. 4. Most countries have established some form of independency for management of the designated postal operator. 5. Designated postal operators have nationwide network to be better used for wide range of service provision to population at large 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Policy development does not automatically provide funding for investment and developments, which falls short in many countries. 2. Establishing policies and regulatory functions is a first step, but does not necessarily establish a better managed designated postal operator. 3. In a range of countries postal sector development has taken off, but in a much larger number of countries the postal sector stays behind in development. 4. Making designated postal operators more independent does not take away that such operators are still dependant from government support in many fields of postal practice to realise reform objectives.
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Focus on providing more value added postal services beyond ordinary mail services 2. Focus on increasing commercial service provision supplemental to universal services and as a way to provide UPS on a sustainable basis. 3. Best practice examples within Africa leading the way for others to improve postal service provision in the country. 4. Focus on diversification in business areas Courier and Express, Logistic Services, Postal Financial Services, Retail and Agency Services 5. Realize an integrated communications (ICT) Policy approach with communications centres providing a broad range of communication and transaction services from different providers in realizing Universal Access. 6. Harmonization and Integration of policies within AU in which the postal sector plays an explicit role and makes a positive contribution. 7. It is evident that universal access to communication services (of which postal services is an integral part) will be better provided by mobile communications and internet in the near future and Post has to catch up with e-postal services to take part in this development. 	<p>Threats</p> <ol style="list-style-type: none"> 1. Too narrow focus on universal service provision will put Post on the defence to other communications sector developments and Post will gradually lose out on such developments by substitution of physical mail. 2. State managed postal operations have serious limitations for development. 3. The postal sector needs more investments, while such investments in general may come from private sector participation in postal services development. 4. Post loses out on overall development of mobile communications and Internet and can no longer afford maintaining the nationwide network 5. If Post is dealt with as a stand-alone sector not being part of the wider communications and ICT sector, the sector will continue to lag behind in investments and infrastructure development and ultimately become irrelevant for communications services to the population at large. 6. Designated postal operators which do not catch up in providing better postal financial services, will meet increasing problems to maintain a nationwide network of service points to the benefit of all services.

4. Progress made

4.1. Response questionnaire AUC

To assess progress made the African Union Commission has sent a questionnaire on progress to all countries, with general questions on the following topics of postal sector restructuring:

1. Has the country undertaken or is planning to undertake postal reforms?
2. Does the country have a postal sector policy?
3. Does the Postal Policy define the institutional framework and separate the roles of the Government, the Postal regulator and the postal operator?
4. Does the Postal Policy define the Universal Postal Service (UPS)?
5. If the country has defined the UPS, has it designated the provider?
6. Does the country have Postal Legislation or enacted Postal Law?
7. In which category is the postal operator?
 - a. Department of Government
 - b. State owned enterprise
 - c. State owned company
 - d. Public owned company
 - e. Others
8. The reform of the designated operator has been undertaken?
9. Does the country have a clear and articulated Postal Sector Regulation?
10. Does the country form a Postal Services Consumers Consultative Body?
11. Is the national Postal service being regulated?

A total of 22 countries have responded which represents a disappointing response of 40 %. An overview of responses is provided hereafter.

QUESTIONNAIRE ON POSTAL SECTOR SITUATION IN THE MEMBER STATES OF THE AFRICAN UNION IN THE YEAR 2011											
Countries	Has the country undertaken or planned to undertake any restructuring of the Public Postal Operator?	Has the country a national Postal Policy?	Does the Postal define the institutional framework and separate the roles of the Government, the Postal regulator and the postal operator?	Does the Postal Policy define the Universal Postal service (UPS)?	If the country has defined the UPS, has it designated the provider?	Does the country have Postal Legislation or enacted Postal Law?	In which category is the Public Postal operator[1]?	The reform of the designated operator has been undertaken	Does the country have a clear and articulated Postal Sector Regulation?	Does the country form a Postal Services Consumers Consultative Body?	Is the national Postal service being regulated?
	[1] Department of Government=1; State owned enterprise=2; State owned company=3; Public owned company=4; and others =5.										
Algeria	yes	yes	yes	yes	yes	yes	2	yes	yes	yes	yes
Angola	yes	yes	yes	yes	yes	yes	3	yes	yes	yes	yes
Botswana	yes	no	no	no	no	yes	2	yes	yes	no	yes
Burkina Faso		yes	yes	yes	yes	yes	3	yes	yes	no	yes
Burundi	yes	yes	yes	yes	yes	no	n.a.	yes	yes	no	no
Cameroon	yes	yes	yes	yes	yes	yes	3	yes	yes	no	public entity
Cape Verde	yes	yes	yes	yes	yes	yes	1	yes	yes	no	yes
Central Af. R.	yes	no	no	no	no	no	n.a.	n.a.	no	no	no
Côte d'Ivoire	yes	no	yes (EC)	yes (EC)	yes	no	3	yes (EC)	no	no	yes (EC)
Egypt	yes	yes	yes	yes	yes	yes	1	yes	yes	yes	*
Gabon	yes	yes	yes	yes	yes	yes	3	n.a.	yes	no	n.a.
Liberia	yes	no	no	yes	yes	no	n.a.	no	no	no	no
Mozambique	yes	yes	yes	yes	yes	non	n.a.	yes	no	no	UPU based
Niger	yes	yes	yes	yes	yes	yes	3	yes	no	no	yes
Nigeria	yes	yes	yes	yes	no	no	1	no	yes	no	yes
Rwanda	yes	yes	yes	yes	yes	no	3	yes	yes	no	yes
Sierra Leone	yes	yes	yes	yes	yes	plan	3	yes	plan	no	no
Sudan	yes	no	yes	no	no	no	n.a.	yes	yes	no	yes
Tanzania	yes	yes	yes	yes	yes	yes		yes	yes	yes	yes
Togo	yes	yes	yes	yes	no	yes	3	yes	yes	no	yes
Zambia	yes	yes	yes	yes	yes	yes	2	yes	yes	no	yes
Zimbabwe	yes	yes	yes	no	no	yes	3	yes	yes	no	yes

Source: Responses to questionnaire to AUC Postal Policy Division in 2011

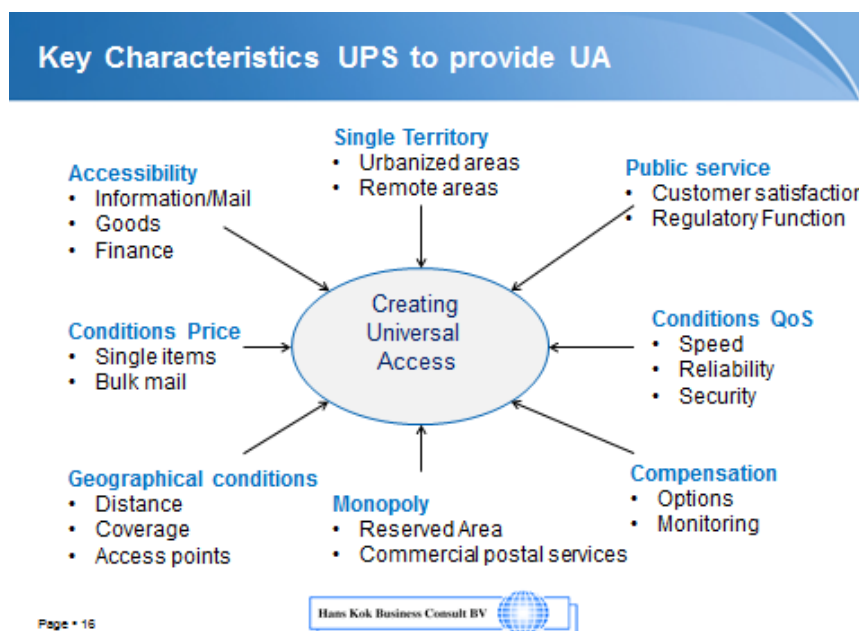
From the responses, the following conclusions may be drawn:

- All countries report to have implemented or plan to undertake postal reforms, to have a postal sector policy in place, to have UPS defined, have a designated postal operator for UPS and have developed a Postal Law; In the framework of UPU postal reforms policies and guidelines, this general question is a rhetoric one where hardly any country will admit to refrain from striving for or being underway implementing such postal reforms.
- Most countries have responded to have a postal sector policy in place. Consultant has asked all of them to provide a copy receiving very few answers. It is important to assess the structure and contents of such policies especially regarding concrete objective to improve universal service provision in the country.
- The questions on defining the institutional framework and defining UPS received also affirmative responses, as this is an area where progress was made, although most countries still refer to the generic UPU definition and few provide more elaboration.
- All countries confirm to have appointed a designated postal operator for Universal Postal Services (UPS)
- Most countries confirm to have established a Postal Law, or to be busy preparing this or being underway with political approval. It is noticed that enactment of laws may take considerable time in some cases or draft approval never get to the final stage in some countries.
- Most operators report to have a legal status of a public owned company, which is in fact a state owned enterprise or public corporation fully owned by the government. Here Africa differs very much from European practice. Not so much in the fact that both regions have corporatized the national postal operator, but much more in the fact that such incorporation bears responsibilities in public annual reporting on operational and financial performance. This is hardly the case in Africa, with few examples of mainly SADC³⁸ countries which shows examples of “best practice” for Africa.
- Most countries confirm to have implemented reforms with the designated postal operator, but little information is made available of the impact of such changes and reforms. For those countries maintaining a good postal website some information mainly on changes of management, management structures and (more and better) use of technology in changes in mail processing is made available. A large number of countries have not much to offer here as technology is at a very low level at Headquarters and its operations, in the network between postal outlets and units and the technology at postal outlets
- The area where the least progress is made is the establishment of a Consumers Consultative Body with few affirmative answers (Angola, Egypt and Tanzania)
- The question if the national postal service is regulated leads to some confusion, because if the UPS is defined and regulated this automatically implies regulation. The implication being that some countries license operators but this does not mean regulation is actually taking place.
- It is noticed that many CEP operators need licenses if such instrument exists in countries involved. However such operators do not consider themselves to be postal operators but either courier and express operators or logistics operators which are in principle both liberalised and commercial services. At the opposite side it is the national postal operator which should meet the same conditions and obligations as value added services operators providing commercial services.

³⁸ South Africa has an outstanding Annual Report produced for a range of years providing public notice on achievements and strategies for improvement. Botswana, Tunisia and Swaziland are other examples of acceptable Annual Reports.

4.2. Key characteristics UPS

Based on the graph below we address some key characteristics of UPS provision.



4.3. Conditions of access to universal postal service by the majority of people in Africa

Key characteristics	Conclusions
Accessibility:	<ul style="list-style-type: none"> Increased in many countries, but still long way to go In too many countries below acceptable <u>universal</u> service level standards
Single territory	<ul style="list-style-type: none"> Aim and ambition of postal sector policy but coverage in rural/remote areas remains limited
Public service	<ul style="list-style-type: none"> Historic objective and strong heritage that may prevent better commercial service provision with value-added services supplemental to universal postal services
Conditions price	<ul style="list-style-type: none"> Price adaptation mechanisms should be further developed in many countries to catch up with economic developments Bulk mail tariffs need to be addressed to keep large mailers within the mail system, which seems difficult with state postal enterprises
Conditions QoS	<ul style="list-style-type: none"> Continue to enable tailor-made solutions within each country Need to establish some main pan-African standards for cross-border mail to capitals of all countries to boost Intra-African Trade Reliability and security of mail conveyance remain challenges
Geographical conditions	<ul style="list-style-type: none"> Will continue to be difficult to overcome in many countries ICT developments including postal applications will bridge the digital divide and gap with inhabitants in the country
Monopoly	<ul style="list-style-type: none"> UPS will still need some form of reserved services to cover UPS provision Scope and definition of reserved services needs to be contained (e.g. limited to addressed letter mail items up to 100g)
Compensation	<ul style="list-style-type: none"> Financial accounting and cost-allocation need improvements to balance price adaptations with increased effectiveness and efficiency with designated postal operator.

4.4. Specific challenges and prospects provision of UPS in Africa

In the characteristics above some main challenges for African UPS are indicated in line with previous policy objectives and strategy development proposals for Africa. While a range of countries have made progress others face on-going difficulties to provide universal services on a sustainable basis.

Countries showing progress are not waiting to be hold up with laggards and need to go on implementing postal sector reforms. On the other hand countries facing serious difficulties can learn from other successful countries. For a possible review of the scope and definitions of UPS the consultant assesses the main options hereafter:

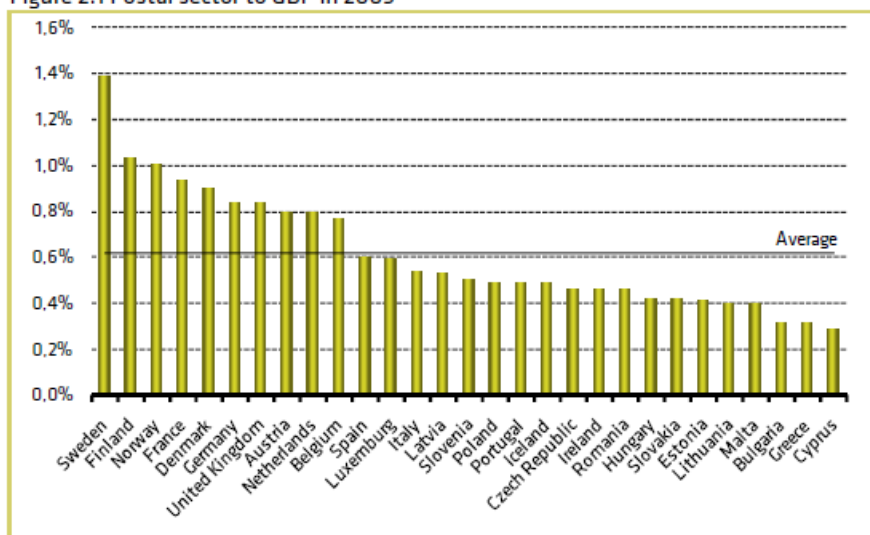
Review of Universal Postal Service scope and definitions	
Generic definition	Fits to purpose of all UPU Member countries and has stand to objective of providing UPS over long time. Consequently the UPU definition is vague and does not offer parameters on how to meet universal service.
However	Remains doubtful if a range of countries will ever be able to provide true universal postal services to all inhabitants.
Reducing the definition?	In our view not recommendable as Post is not in area of letters, parcels and financial services, which in combination are also its future in upgrade value added services in different business areas.
Extending the definition?	While services are increasing developed as commercial services, extending the definition of UPS will meet serious resistance from other (private sector) service providers active in related fields and showing to be able to provide better services.
Maintaining the definition	It follows from our conclusions above that it is better to maintain the generic definition and focus on elaborating how service is provided to meet the needs of the market and customers specific for each country.
Quality of service standards	The quality of service criteria allows specific solutions for each country and the main commonality is that all are striving to improve service levels up to (UPU agreed) acceptable standards.
Speed and Transition time	For harmonization within AUC Member States it is advisable to prioritize issues that affect all countries especially in cross-border mail to capitals of African countries including business-communities dealing with each other over African country boundaries.
Reliability and Security	In this area there is still much work to be done to maintain the Post as a trusted partner
Public service	The Post builds on a heritage here but has to catch up with improvements in the following areas
Customer satisfaction	Monitoring customer complains, liability regulations and procedures, establishing consumer consultative bodies, etc. are attention points for the near future
Regulation and monitoring	While regulatory activities are still in take-off phase in many African countries, coordinated efforts must be made to strengthen postal sector regulation and improve monitoring through market reviews and annual reporting on sector developments and competition

4.5. Impact UPS on Postal Sector development and the economy

4.5.1. Contribution to GDP

While the contribution of postal services may be in the range of 0.8–1% of GDP in the EU³⁹, this percentage is much lower in many African countries;

Figure 2.1 Postal sector to GDP in 2009



Source: Country fiche appendix, indicator x.1.1 and Eurostat

It is estimated by the consultant that a few countries in North Africa and some SADC countries reach a level of between 0.4-0.8% of GDP contribution, while the other countries are in the range of 0.1-0.2% of GDP contribution.

Such returns are related to investments in the postal sector, which are much higher in Europe 15 countries and have to catch up in difficult economic circumstances in the latest EU Accession countries (Europe 15 + 12).

Due to a lack of overall financial reporting for the postal sector there are no useful data available for Africa.

From the overview of postal sector developments it is clear that:

- In about 25% of the African countries the postal sector is developing and contributing to the socio-economic development of the country;
- In many more (about 75%) of the African countries, the postal sector development is limited and lags behind developments in other sectors;
- Given this situation it can be argued that the countries lagging behind can learn from those developing, which is certainly the case except for the overall political situation (peace and nationwide development) and geographic circumstances (number of people working in subsistence economy and rural areas without much connection to outside world);
- From the countries showing most progress we can learn that this is best achieved by making the Post more independent and responsible for its own viability, supported by institutional developments that create an enabling environment in which the Post can develop;

³⁹ Eurostat 2011

- A more developed, independent and professionally managed Post also develops a more diversified portfolio of services with mail activities supplemented by value added activities in the business areas of Express, Logistics, Postal Financial Services, Retail and Agency services;
- Where the traditional mail volumes are stabilizing or in decline, there is a strong motivation to review postal strategies and business development into new directions for service provision;
- In most countries, the Post still has options to capitalize on its main assets, a trusted name and a nationwide network, which can be open to different service provisions;
- Increased private sector participation in postal services development and use of the postal network will require huge improvements in governance and financial management of postal enterprises in Africa.

4.5.2. Improving UPS within member States

Our conclusions:

- The current UPS definition is shaped in long term consultation between sector stakeholders and remains relevant for the future of the postal sector
- In different parts of the world the market environment is changing into the direction of :
 - a. Ensuring proper and affordable UPS provision; the generic definition remains valid for the future, while the indications of quality of service standards enable specific elaboration and application per country. Countries which want to do more and go further are motivated, while others are motivated to comply with global standards for basic postal services;
 - b. Although the quality of service standards should cover the whole country, it should be taken into account that real development options exists where people work and live and that capturing the urbanised market environment implies not only possible growth of services, but also enables covering the less developed rural areas;
 - c. Giving more room for development of value added postal services beyond universal postal services and provided as commercial postal services;
 - d. Efforts to diversify the designated postal operators business activity and extend Mail activities with activities in Express, Logistics, Postal Financial Services and Retail & Agency Services

4.5.3. Improving UPS between member States

To help improve UPS between member States we can use examples of harmonization efforts from SADC, which has many of Africa's best postal operators.

The Southern African Development Community (SADC) has developed a Regional Indicative Development Plan (RIDP)⁴⁰ in 2004 with a 15 year period development framework covering many sectors and regional issues including the transport and communications sectors. Policy recommendations are reviewed and updated on a regular basis.

⁴⁰ SADC –RISP,SADC House Botswana 2004 <http://www.comm.ecowas.int>

SADC Protocol Chapter 11 on Postal Services

The SADC Protocol on Transport, Communications and Meteorology⁴¹ provides guidance to policies for the postal sector in the SADC Member Countries in Chapter 11 on Postal Services, including harmonization efforts for a range of topics such as:

- **Objectives**
- **Postal services policy**
- **Infrastructure development**
- **Operational standards and procedures**
- **Postal security**
- **Human resource development**

Below are highlighted the main policy guidelines with some comment on their application for Africa Union members.

SADC Protocol Objectives
The paragraph on objectives indicates that: “Member States shall provide efficient market related universal postal services responsive to consumer needs which are affordable, of a good quality and meet the social needs of communications as a public service mission and maintain complementary and supportive relationships between their respective postal administrations in support of the economic needs of the Region”
Analysis and conclusions consultant: <ul style="list-style-type: none">• This objective is in line with UPU general policies and strengthens coordinated efforts to achieve better postal service provision in all countries involved;• <u>Efficient</u> and <u>market related</u> services should be added, which should be reason to spend more effort on operational performance systems and market reviews of segmented postal markets;• We also think that such services <u>should be responsive to customer needs</u>, which would imply more frequent and periodical surveys into such customer needs, especially for business entities which generate most mail volumes and are possible future clients for cooperation in service provision with the Post;• The reference to the public service mission strengthens the on-going process of implementing better universal postal services in Africa.

Harmonisation postal services

The SADC protocol gives also guidance to harmonisation of policies for sector institutions, being specific on the direction reforms should take.

In order to attain postal services objectives, Member States shall develop a harmonised postal services policy, which includes –

SADC protocol on Harmonisation postal services
a) Institutional reform by - <ul style="list-style-type: none">(i) Promoting commercialisation and legal autonomy of postal administrations; and(ii) A separation of regulatory and operational bodies and functions;

⁴¹ <http://www.sadc-tribunal.org/docs/TRANSPORTCOMMUNICATONSMET.pdf>

- b) Harmonised regulatory and operational policies;
- c) Restructuring of their postal services to achieve balanced development and promote institutional complementarity and systems integration as a precursor to the establishment of a single unified postal territory;
- d) Collaboration in developing common standards of services and operations compatible with universal service standards;
- e) Improvement of postal security;
- f) Continued co-operation with transportation services and other authorities of the Region to improve speed and security of mail services throughout the territories of Member States as well as with non-Member States; and
- g) Establishment of equitable frameworks to accommodate the provision of non-reserved services by private sector service providers.

Analysis and conclusions consultant:

- The proposed harmonisation efforts are in line with earlier recommendations of global (UPU) and regional (PAPU) policy-making and coordination sector institutions;
- The focus on legal autonomy would bring state-owned and state-managed postal operators into dispute
- While establishment of separate regulatory functions is taking place, the harmonisation of regulatory and operational policies is an area which has not received much attention;
- The recommendations for universal postal service division support the on-going effort to improve universal access for African citizens
- The focus on common standards should be applied to areas important for the mail exchange between countries (cities and business entities) but should also leave room for every country to respond to the characteristics of its own rural market environment;
- The issues of security and transport between sector authorities in the region is important for all and could lead to the establishment of specific exchange efforts between countries

SADC protocol on Infrastructure development

1. Member States shall maintain and improve their postal infrastructure and equipment in order to secure basic access to postal services for their nationals and expand levels of accessibility.
2. In order to attain the objectives contemplated in paragraph 1, Member States shall collaborate in –
 - a) Identifying infrastructure and equipment needs;
 - b) Undertaking research and disseminating research findings;
 - c) Implementing complementary technologies; and
 - d) Undertaking capital investment in less-favoured Regions.

Analysis and conclusions consultant:

- These recommendations are general and in line with global UPU policies
- Objectives on paper are a good case but it is more difficult to unite around certain measures in practice;
- The focus on more cooperation in use of technology is still mainly a national topic and seldom leads to regional cooperation programmes;
- The focus on cooperation in research stands in contrast to cooperation to provide information without any response as also experienced by consultant in this project.

SADC protocol on Institutional framework

1. Member States shall establish complementary institutional frameworks for their postal services operated along commercial lines.
2. For the purposes of paragraph 1, Member States shall adopt national legislation which establishes postal administrations as legally-autonomous commercial entities subject to appropriate regulatory supervision.
3. The legislation referred to in paragraph 2 shall be based on a regionally harmonised position which -
 - a) Clearly distinguishes between service areas reserved to the universal service provider and other private service providers;
 - b) Vests operational and regulatory functions in two distinct entities; and
 - c) Specifies the responsibilities of the regulatory authority.
4. The responsibilities of the regulatory authority referred to in paragraph 3 (c) shall include, but not be limited to -
 - a) The scope of the universal services required and the means to achieve this requirement;
 - b) Ensuring that the special rights of reserved service providers are observed;
 - c) Ensuring satisfactory quality of service on the part of the reserved service operator; and
 - d) Ensuring fair competition in the non-reserved area.

Analysis and conclusions consultant:

- Objectives number 1 marks a clear difference with many other African countries as it is experience in SADC countries that diversification and commercialisation is necessary and brings positive results for designated postal operators;
- Objective 2 is in line with this strategic direction and will still be a challenge for many African countries where both independence of the designated postal operator and regulator face on-going serious limitations;
- Objective 3 is attainable if the scope of reserved postal services is limited to what is necessary to protect nationwide services, while beyond this limited scope development of competition may emerge differently in countries involved;
- Objective 4 is in line with overall UPU policies. However ensuring fair competition will remain a challenge for some years as reviews of market-sector developments are few as are the regulatory instruments to cover a wide range of topics for postal sector development.

SADC protocol on Operational standards and procedures

1. Member States shall endeavour to adopt harmonised operating regulations, procedures and quality standards to promote inter-operability based on the norms laid down by the UPU, in particular, with regard to -
 - a) international postal services;
 - b) financial services, including postal and money order services;
 - c) electronic mail;
 - d) expedited mail service;
 - e) computerised track-and-trace systems;
 - f) documentation;
 - g) postal security and combating postal crime, including the exclusion of prohibited and dangerous goods, drugs and other psychotropic substances from the post;
 - h) postal rates and inter-administration remuneration rates;
 - i) human resource training and development; and
 - j) postal research and development.
2. Such standards shall promote, amongst others, the fixing of common service targets for all postal items and, to this end, Member States may agree on -

<p>a) Measures to be taken to meet service targets;</p> <p>b) Monitoring systems to be set up to measure compliance with set targets; and</p> <p>c) Regular review procedures to verify progress towards achieving ultimate targets.</p> <p>3. In adopting harmonised operating regulations, procedures and quality standards for the Region, Member States shall develop co-operation frameworks, which may include the exchange of -</p> <p>a) Ordinary postal parcels;</p> <p>b) Insured postal parcels;</p> <p>c) Cash-on-delivery parcels;</p> <p>d) Postal orders; and</p> <p>e) Money orders.</p> <p>4. Member States shall adopt measures to facilitate technical co-operation between international, continental and regional postal institutions and bodies and their postal administrations.</p> <p>5. To this end, Member States shall collaborate with the UPU to secure technical assistance aimed at -</p> <p>a) Improving the international accounts system;</p> <p>b) Improving operations and quality of service;</p> <p>c) Identifying markets and customer needs; and</p> <p>d) Strengthening and modernising structures and operational methods.</p>
<p>Analysis and conclusions consultant:</p> <ul style="list-style-type: none"> • This area is undoubtedly the most practical area to make progress in harmonization of postal sector activities to the benefit of all stakeholders in the sector; • The reference to overall UPU activities indicates these objectives to be applicable in other regions as well, but especially for the African region more on-going efforts are needed to produce results.

SADC protocol on Postal Security

Member States shall collaborate in joint programmes to improve mail security and to combat postal crime.

For this purpose of paragraph 1, Member States shall -

a) Adopt programmes and actions to promote postal security and fight postal crime;

b) Prioritise the functions of operational control and inspection and investigation through -

(i) the adoption of an appropriate organic and functional structure of a postal security and inspection service;

(ii) the assignment of the necessary human and functional resources; and

(iii) the formulation of regulations which facilitate interaction between the postal security and inspection services and the external national and international agencies;

c) Adopt regulations and enact laws to protect the post against crime and establish specific agencies for the enforcement of such laws;

d) Render technical assistance for the development and establishment of operational control and inspection services and for the technical training of personnel of the postal administrations;

e) Ensure the consultation of the inspection and postal security services in the design of postal buildings, installations and operating systems involving mail;

f) Regularly conduct surveys, studies and investigations about materials and equipment which make the mail more secure;

g) Establish a permanent regional network for security and inspection services to promote the exchange of technical and administrative information and joint actions;

h) Encourage the protection of mail committed to airlines, regulate procedures for receiving from and delivering postal dispatches to airlines and computerising documentation;

i) Encourage joint development and adoption of security measures by surface or maritime carriers;

j) Encourage automation or mechanisation of systems;

k) Combat illegal drug traffic;

l) Disseminate information on security and postal crime to mailers and employees;

- m) Collate statistics to identify weaknesses; and
- n) Intensity actions to ensure safe mailing of dangerous and hazardous materials in line with international practices.

Analysis and conclusions consultant:

- This is one of the most practical area in which progress needs to be made for the benefit of all.
- Security request different actions from HRM⁴² to Inspection, from policy to procedures, from plan to implementation in which coordinated action will support all stakeholders
- An AU coordinated plan could be elaborated to make progress in all countries with annual monitoring and reporting through PAPU

SADC protocol on Human Resource development

1. Member States undertake to give practical support to national postal training initiatives with a view to improving the quality of training of manpower in their postal services.
2. For the purposes of paragraph 1, Member States shall -
 - a) Co-operate in the harmonisation of training standards and curricula;
 - b) Establish a scheme for the exchange of trainees in order to provide an opportunity for the exchange of experiences and enriching understanding of the Region;
 - c) Develop training programmes appropriate to the needs and economic circumstances of the Region in collaboration with the UPU;
 - d) Develop and adhere to standards of training and certification which shall be acceptable within the Region and throughout the member countries of the UPU; and
 - e) Co-operate in the provision of joint training.

Analysis and conclusions consultant:

- In this area practical programmes are to be realised with relevant groupings of countries such as French speaking and English speaking countries through PAPU and UPU;
- For governments of AUC Member States it is advisable to establish some knowledge exchange and training budget for policy-makers and postal regulators to improve sector institutions.

Concluding:

1. The consultant concludes that the example of the SADC Protocol on postal services can be used for other African countries as well to strive for a AUC wide improved harmonization of postal sector policies;
2. Especially for issues requiring support of Governments, issues related to policy-development, regulatory strengthening, QoS targets for cross-border mail, reliability and security of mail conveyance, could take benefit of being on the (periodical) agenda of Communication Ministers in the AU.
3. For the purpose of increased harmonization of policies in the postal sector, separate efforts could be made to establish some kind of AU Protocol for harmonization of postal services, with monitoring and reporting each year on progress made and elaborating on problems to be solved at the political level for Africa.

⁴² HRM = Human Resource Management

5. Analysis of options in funding UPS

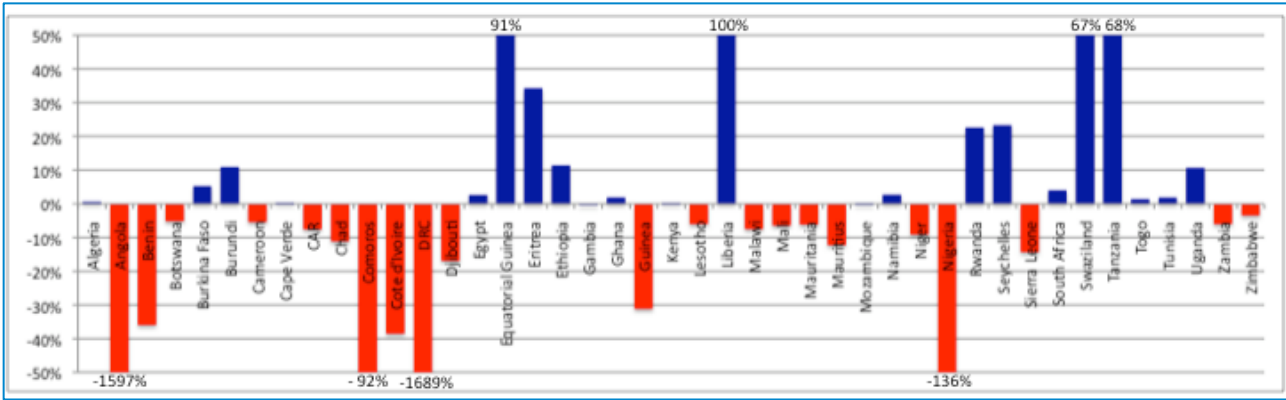
5.1. Financing universal service

The question of how to finance universal postal service has gained prominence in recent years due to corporatisation and market liberalisation. Traditionally the state owned national postal operator was provided with a healthy monopoly that would cover the costs of universal service. Whether it did or not was usually irrelevant because posts were Government departments with no separate accounting and all revenues channelled to central Government. In effect many post offices were being subsidised by Government and this is still the case in many countries in Africa.

While there are many ways of financing universal service it is important to first establish the cost of universal service in a country. In the case of African Union members this will vary since the current provision of universal service varies significantly. For example, Mauritius has six days per week delivery to every home, whilst many other countries provide PO Box service through a limited network of post offices. A further complication to identifying the cost of universal service is how extensively a postal operator provides non-universal service products and services that contribute to reducing the cost of universal service.

5.1.1. Current financial situation AU Members

The graph below shows the financial position of posts in Africa according to latest UPU data. The following countries did not have any data available; Congo, Gabon, Guinea Bissau, Libya, Madagascar, Sao Tome & Principe, SADR, Senegal, Somalia and Sudan.



Source: UPU Statistics 2011 and database consultant Business Consult BV

Of the 44 countries that have provided the UPU data exactly 50% show profit and 50% show loss. However, it can be seen that a number of countries show excessive profits – in the case of Liberia it is 100%, which suggests there is something amiss with the accounting practices in that country. Conversely a number of countries show massive losses – in the cases of Angola and DRC it is more than 1,500%, which means costs outweigh revenues by more than 15 times. Given both countries have been affected by internal conflict, which have had a devastating impact on all commercial and network activities it is perhaps no surprise losses are as great as those shown.

An issue that is also important is the accuracy of both the figures shown in the graph but more importantly the accounting practices in each country. In defining a method of financing universal service it is essential that the accounting practices in place to calculate the cost of universal service are accurate and just.

5.1.2. Costing universal service

A pre-requisite to financing universal service is an understanding of the costs of providing universal service. Much work has been done in this area, particularly in the European Union but the models prepared in such countries were based on providing a universal delivery service rather than a universal network of post offices. Two main models were developed looking at the cost in different ways:

The **Net Avoided Cost** method focused on the answering the hypothetical question: *“If the Universal Service Provider could choose not to provide service to those areas which give rise to loss making items of mail, by how much would its profits increase?”* It was felt by many operators that this methodology was only suitable in a stable market, which led them to developing a second model.

The **Entry Pricing** method was developed to deal with the situation of a dynamic market (in particular where increased competition is expected through a reduction in the reserved area). It addresses the question: *“Under specific liberalisation assumptions by how much will the profit of the business be reduced if there remains the requirement to provide the Universal Service at uniform prices?”* The method estimates the revenues that would be lost to competition if the USP has to meet the UPS at uniform tariffs. Contrary to the NAC method it considers the profit making items as it is expected these are more likely to be lost to competitors entering the market.

Both costing models are extremely complex and appropriate for countries with very high mail volumes. In Africa universal service is generally based on a provision of a post office network. The following model developed by Sunflower Associates is more appropriate for Africa:

The **Network Pricing** method looks at the costs and revenues associated with each individual post office. It addresses the question *“if the postal operator were a commercial organisation without a universal service obligation, what would be the extent of its network?”* The Network Pricing method focuses on specific sites in a given network to determine the profitability, or otherwise, of each location. If a specific post office is shown to make a loss it will be “closed” for the purposes of the costing and its costs and revenues taken from the financial performance of the operator. Once all loss making post offices have been identified the cost of universal service, or the cost of maintaining loss making post offices, will be known.

It is important that all African Union member countries undertake this analysis in order to determine the true cost of universal service. A further issue that may impact on how universal service is funded will be whether the cost of providing universal service is reasonable or not. Most African Union member countries follow what might be termed *“Bricks and Mortar Networks”*, which means they have fully owned post offices performing only a limited number of post office services. They are generally staffed by post office employees and represent very high unit costs given the volume of mail and other transactions passing through them. In the financing options we will look at ways in which universal service costs can be reduced.

5.2. Financing options

A number of options for paying for universal service provision exist in the postal industry. They are considered below:

Option 1. RESERVED AREA	
<p>Postal monopolies (through a reserved area) have been the traditional way to support the universal provision of postal services throughout the national territory at uniform prices. This was generally through a monopoly on all letters to 2Kg and domestic parcels to 20Kg. Competition was usually allowed providing competitors charged a minimum price above the standard tariff charged by the Universal Service Provider (normally 5 times the basic standard tariff). Most countries have now liberalised the parcels market and many have reduced the reserved area for letter mail.</p> <p>A reserved area is particularly significant when uniform tariffs are a requirement of the Universal Service Obligation. Cheaper to handle urban and intercity mail subsidises more expensive rural deliveries. If a market is liberalised competitors to the Universal Service Provider can undercut prices for city deliveries, thus reducing the cross subsidies available for rural services.</p>	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Allows for uniform pricing • Provides basis for a strong USP 	<ul style="list-style-type: none"> • Prevents customer choice • Does not incentivise the USP to improve quality or innovate • In many African countries mail volumes are very low

Many AU member countries still have a reserved area but volumes are so low that it is unlikely to meet the cost of universal service. Illegal competition is also prevalent in most countries because the universal service operator provides poor service and reserved areas are not enforced. Where operators tend to have a reserved area is on the provision of PO Boxes, which is important since most countries provide universal service through PO Box delivery.

Option 2. COMPENSATION FUND	
<p>A compensation fund would normally apply in a situation where a reserved area is curtailed or abolished. It would be a charge levied on licensed operators with no obligation to provide services throughout the territory at uniform prices. The fund would be used to compensate the Universal Service Provider for providing universal service.</p> <p>Contributions from licensed operators could be collected through an annual license fee, a percentage of annual turnover or a rate per item (fixed or variable).</p>	
Strengths	Weaknesses
<ul style="list-style-type: none"> • A liberalised market would lead to competition and market innovation • All operators pay for universal service provision 	<ul style="list-style-type: none"> • Collection of monies is difficult and requires strong regulation • Collecting volume information from the market is difficult • Setting pricing principles is difficult

Few examples of a successful universal service fund exist although a number of countries do charge competitors to enter the market. The EC Directive makes provision for Member States to put in place a

universal service fund where there is no reserved area. In Italy a fund was established but collected paltry sums because operators withheld the true value of their business.

Option 3. COST BASED PRICING		
<p>Cost based pricing would allow the Universal Service Provider to charge non-uniform prices. Prices could be based on collection point, distance travelled and distribution point. In the context of AU members this could mean the following price differentials:</p>		
Collection Point	Distance Travelled	Distribution Point
Rural Post Office	Within Regions Between Regions	Rural Post Office
Suburban Post Office		Suburban Post Office
Urban Post Office		Urban Post Office
<p>In the scenario above it would mean the USP could split the uniform tariff into 18 different tariffs depending on the collection point (3), distance travelled (2) and distribution point (3).</p>		
Strengths		Weaknesses
<ul style="list-style-type: none"> • Customer pays closer to the real price of a service • Allows for more competition on routes with greatest volume 		<ul style="list-style-type: none"> • Against the principles of providing a uniform tariff • Difficult to identify costs and set appropriate tariffs

The principle of uniform tariffs was established in 1840 and is followed by virtually every postal operator in the world. Even countries with large geographic areas, where there is a clear cost differential in servicing different parts of the country have uniform pricing. However, the European Union Directive does allow for non-uniform pricing and there is no reason why AU member countries should not be able to provide non-uniform pricing. However, it is unlikely it would generate significant additional revenues in Africa, since most mail flows occur within the major cities.

Option 4. STATE SUBSIDIES	
<p>There are two basic forms of state subsidies for postal operators. The first is where Governments bankroll loss-making state owned postal operators. The second is an explicit subsidy to pay for unprofitable elements of the network. This is particularly valid for the provision of a fixed retail network, in place for social rather than economic reasons.</p>	
BANKROLL SUBSIDY	
Government covers the losses of the state owned postal operator	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Ensures continued provision of postal services to all • Requires no information on performance 	<ul style="list-style-type: none"> • Provides no incentive for management to perform well • Discourages customer service and innovation • Leads to lack of investment
EXPLICIT SUBSIDY	
Explicit payment for the provision of loss making network or services	

Strengths	Weaknesses
<ul style="list-style-type: none"> • Identifies universal service costs and compensates USP for loss making elements • Frees USP from cross subsidising loss making services 	<ul style="list-style-type: none"> • Identification of the costs of loss making services is difficult

In some cases Governments have provided operators with explicit subsidies for the provision of rural postal networks. Both Sweden and the UK provide such subsidies in light of complete market liberalization. The two Governments recognized the lack of a reserved area meant rural postal networks were a burden for the postal operators.

Option 5. CONCESSION	
Offer Universal Service Provider to the Market	
<p>The Universal service provider (USP) could be offered to the market as a concession for a set number of years. The operator would have the obligation to provide universal services as specified in the contract and according to the regulations in place. The operator would be free to develop new services outside the universal service area.</p>	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Leads to investment in the USP • Leads to a more efficient USP • Government receives a guaranteed fee for the postal operator 	<ul style="list-style-type: none"> • Government loses some control over the postal operator • Negotiations of the contract need to balance universal service costs and revenues provided to Government

The concession model is common in many other utility and network sectors and has been used in both Argentina and Guatemala in the postal sector.

Option 6. FRANCHISING	
Offer Individual Post Offices to the Market	
<p>Postal operators could offer all loss making post offices to individuals working in the private sector. The individual would offer a price they would be willing to pay to operate the post office, or in the case of loss making post offices the price they would be willing to receive to operate the post office. Such private sector participation would allow individuals to continue to provide postal services and utilise postal buildings for other products and services as they see fit.</p>	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Reduces the cost of the USP • Allows for private sector innovation • Provides local people with business opportunities in rural areas • Cheaper way to build a wider postal network 	<ul style="list-style-type: none"> • Loss of credibility of being an official post office • Perceived loss of control

• Leads to better hours of operation	
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Post offices throughout the world are increasing access to services through postal agencies. Franchising is a slightly different concept from an agency model because it invites private individuals to make a bid to operate a post office.

Option 7. UNIVERSAL SERVICE CONNECTION FEE	
While this might be considered a radical solution and contrary to the principles of providing universal service it is already widely practised in Africa. Every country that relies on a PO Box network as a means of delivering mail effectively charges a universal service connection fee. A number of postal operators in Africa are also charging for home or office delivery, which is a good way of extending service and raising additional revenues.	
In the USA fixed line telephone customers receive a charge for the provision of universal service.	In the UK all television users must pay the BBC an annual license fee irrespective of how much television they watch.
Strengths	Weaknesses
<ul style="list-style-type: none"> • Guaranteed revenue for provision of universal service • Equitable solution – universal charge for universal service • Cheap for each customer • A good way of expanding delivery services 	<ul style="list-style-type: none"> • Difficult to establish a universal connection fee

Charging for PO Boxes is already common practice throughout Africa. This actually places such postal operators in a very strong position because it gives them guaranteed income. Those countries that do not currently provide home delivery can also introduce such services with a charge, which is also a major advantage African operators have compared to operators in other parts of the world.

Option 8. UPS FOR ALL OPERATORS	
The regulator could impose all operators to provide universal service. However, this would result in several companies duplicating an unprofitable network raising the overall cost of universal service to the market. It could be actually prevent competitors entering the market.	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Equal conditions for all competitors in the market 	<ul style="list-style-type: none"> • Duplication of unprofitable networks • Does not finance universal service

There is no benefit enforcing all operators to provide universal service particularly in the context of Africa where real universal service only exists in a few countries. Even in countries where volumes allow for such a principle there is still little point in duplicating the outer reaches of the network.

Option 9. REGIONAL UPS CONCESSIONS	
The Government could offer postal UPS concessions in different regions to different operators. They might each have exclusivity in their region but would have to meet defined targets and would access agreements with the other operators.	
Strengths	Weaknesses
<ul style="list-style-type: none"> • Enables comparisons between different operators 	<ul style="list-style-type: none"> • Managing access arrangements • Markets are generally too small

Such concessions are used in the rail industry in a number of countries but there does not appear to be any relevance in the postal sector. It is also a tool that might be used in the mobile phone sector to ensure universal coverage but giving each mobile operator some obligation to meet universal service.

Option 10. STREAMLINE POSTAL OPERATORS	
It is apparent that many postal operators in Africa operate a “Bricks and Mortar” network with a relatively small number of large post offices. Many are overstaffed and expensive to maintain and operate. If postal operators downsized their post offices to fit requirements, they would be able to provide a more extensive and efficient network. If they took a step further and provided postal services through agents they would have an opportunity to extend universal service.	
Strengths	Weaknesses
<ul style="list-style-type: none"> • A streamlined postal operator with clear job roles would be better able to meet customer demand • Improved work environment created in many cramped offices 	<ul style="list-style-type: none"> • Reducing staff is not easy

It is essential for any business to streamline from time to time. For many African postal operators it is essential because they are operating an old-fashioned network model that does not reflect the needs of the 21st century. Most operators could provide an extended universal service if they approached the delivery of postal services in a more cost effective manner.

Option 11. REVENUE GROWTH	
Postal operators are not sustainable if their only offer is universal service items. They must adapt and offer new commercial services through their postal network. They need to move closer to their customers by offering PO Boxes in a more locations, establishing partnerships with banks, mobile companies and Government to provide new services. It is essential when providing any network that utilisation of staff, buildings and vehicles is maximised	
Strengths	Weaknesses

<ul style="list-style-type: none"> • Would better utilise staff • No cost option for providing UPS 	<ul style="list-style-type: none"> • Human resource to develop new products and services
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A major concern for any Government wanting its national postal operator to diversify into new products and services is whether the management and staff capacity exists within the organisation. There is no one solution for every postal operator in Africa. Some will be better positioned than others to establish partnerships and introduce new products and services.

5.3. Financing universal service in Africa

There is no one solution for financing universal service in Africa. The members of the African Union present a wide array of universal postal service provision, from none to daily delivery to every address point. Postal operators vary from Government departments with few services to commercial entities with a wide array of products and services. Some markets face massive competition and others face minimal competition. One thing most operators have in common, apart from those affected by war, is a reliance on a traditional “bricks and mortar” network model. It is therefore impossible to offer one option to finance the provision of universal service. Instead we consider the appropriateness of the eleven financing options below:

1 Reserved Area	It is the experience of the consultants that throughout Africa that very few countries actually enforce the reserved area. There are many examples of companies providing competitive services to incumbent operators, often due to market need. That said, the PO Box does provide many postal operators with some form of protection for reserved services.
2 Compensation Fund	Compensation funds could be established in member countries to pay for universal service. However, this would only be fair if universal service were provided in an efficient manner. A further complication in establishing the compensation fund would be the identification of all operators due to pay into the fund. It would be easy to identify major international players but less easy to identify local operators such as bus companies.
3 Cost Based Pricing	In large countries there is no reason for postal operators to charge a uniform tariff. Since local mail is likely to be facing considerable competition it may be the only way postal operators can compete.
4 State Subsidies	If Governments do think offering subsidies to postal operators is appropriate they should provide them as explicit subsidies. This means the subsidy should be provided specifically for providing universal service and not because the postal operator is inefficient. This will require true costing of universal service to be established.
5 Concession	Offering postal operators to the private sector may be a good solution in Africa, particularly where postal operators are currently loss making. It could lead to rapid investment, innovation of services, staff training, customer focus, improved quality and an income stream to Government.
6 Franchising	A move away from the “bricks and mortar” network to a network of agents or franchises can only be positive for the provision of universal postal service in Africa. Franchising can lead to a greater network of post offices at a much reduced

	cost and establish the postal operator in both urban and rural locations.
7 Universal Service Connection Fee	Since PO Boxes are the main delivery method in 70% of AU member countries the universal service connection fee is already in place in the majority of countries. Some are also establishing further fees for delivering mail to a specific address point.
8 UPS for all Operators	There is no benefit to all operators providing universal service particularly when 60% of countries readily admit to not currently providing true universal service
9 Regional UPS Concessions	There is no reason to think offering regional UPS concessions would be appropriate for the postal sector in Africa. However, it does work in other sectors and if a Government has already established successful operations in other sectors they may wish to try something similar in the postal sector.
10 Streamline Postal Operators	It is essential postal operators are streamlined to improve efficiencies, quality of service and financial performance. Overstaffing, over-elaboration of service provision and the practice of employing all staff are just some of the reasons postal operators make losses. Throughout Africa there are post offices in rural locations staffed by a full-time postal employee that cater for just one or two customers per day. At the same time the postal operator must cover the maintenance costs of such postal networks. Streamlining can reduce costs, extend the network reach and improve the financial position of the company.
11 Revenue Growth	Revenue growth is essential for postal operators to reduce the marginal cost of providing universal service. They must diversify and provide a wider range of services, create partnerships with other companies and become more customer focused in their service offer.

The eleven options highlighted above are those that we consider to have most relevance in the postal sector. However, we do not believe that all should be considered in the context of AU countries.

5.4. Overview recommended options for funding UPS

Below we recommend which should be considered as ways of funding universal service:

Options recommended for implementation in all countries	
1 Reserved Area	The reserved area varies in each AU member country, as does its enforcement.
6 Franchising	Postal operators should implement franchising as a means of providing more efficient networks and as a way to extend universal service.
7 Universal Service Connection Fee	The PO Box method of delivering mail is a major revenue stream for most African postal operators. Operators should extend this model to offer home delivery options at appropriate tariffs.
10 Streamline Postal Operators	Streamlining is essential to improving the financial and operational performance (effectiveness and efficiency) of postal operators.
11 Revenue Growth	Postal operators should be encouraged to generate revenue growth by establishing partnerships and focusing on areas of commercial activity.

Options to be taken in consideration but requiring stakeholder efforts in setting conditions right	
3 Cost Based Pricing	Large countries may consider implementing differential pricing to reflect the actual cost of providing universal service.
4 State Subsidies	An explicit subsidy should be considered only if Government wants to maintain fully owned rural post offices.
Exception investments (not as subsidy)	State subsidies should not be provided on a structural basis, but it may be an option that government financially supports development of the network (investments in infrastructure development at market conform conditions) for a specific period and not the cost of operations
5 Concession	A concession or management contract could be a very good way of turning round the fortunes of many African postal operators.

Options not recommendable for Africa	
2 Compensation Fund	We believe a compensation fund is too difficult to manage and would require strong market regulation in order to ensure all operators contribute.
8 UPS for all Operators	This should not be considered under any circumstances, even in countries with high volumes and high population densities.
9 Regional UPS Concessions	This option should only be considered in countries with strong regional identities and where there is a drive to commercialise the postal operator.

The five recommended options are discussed in more detail in the Recommendations in this report hereafter,

6. Recommendations

6.1. Development Model of UPS for Africa

For the development of a Model of UPS for Africa, the consultant advises to maintain the generic UPU definition for UPS provision. This model supplemented with options for elaboration per country for quality of service standards (mainly speed) can be made to fit market developments in any country and elaborated in tailor-made solutions for the local geographic and socio-economic environment.

African UPS however differs from elsewhere as it is focused mainly on P.O. Box delivery, while home delivery is reached in only few countries and needs to be developed in others as value added services. It is obvious that P.O. Box delivery needs to be overcome by increased efforts to delivery to addressees directly starting with business entities and city areas and geographical spreading hereafter.

If not the mail channel will be passed by from other more personal and much faster communication channels such as Internet and mobile phones.

African UPS also differs from elsewhere with slower speed of mail conveyance up country, which seems acceptable considering very low mail volumes and **if** a certain regularity of mail rounds can be maintained to assure the customers of at least 1 or 2 mail-rounds per week.

At the same time it is advised to integrate universal communication service provision into a wider Communications and ICT Policy framework. Mobile telecommunications and Internet based services are increasingly better placed to provide communication services to rural and remote areas than the Post ever can. By integrating postal policy with wider ICT policies countries can ensure better provision of both traditional postal services with new technology based communication services.

Some countries have already approached such a wider framework for Universal Access (UA) in communications services (e.g. Botswana,), which may serve as example for other African countries.

Others are developing an overall e-services programme (e.g. e-Benin) including e-government, e-Commerce, e-postal services, etc. Such developments are commended but it is important for the responsible Ministry to determine whether incumbent postal operators are best placed to provide such services.

6.2. Lessons learned from best practices UPS provision in Africa

South Africa, Botswana, Tunisia are countries providing examples of e-developments with postal operators showing better results and able to cover UPS requirements at the same time.

Governments can support investments in e-infrastructure and include the postal network in such programmes. However, it is important that such investments do not become the sole responsibility of the postal operator because in many countries they are poorly placed operationally and financially to deliver such services. They also lack management capacity, but partnering with an ICT company links the postal network with the ICT company's knowledge, technology and investment potential.

Hereafter we indicate the institutional developments that have a proven track record in improving access to postal services from our experience and known best practice.

Lessons learned from best practice in postal reform	
Institutional reforms	<ul style="list-style-type: none"> • Establishing clear roles and functions for policy-maker, postal regulator and designated postal operator • Elaborate role of owner and investor in relation to the policy-maker, regulator and operator functions • Focus on the role of the customer since maintaining good customer information and relations is key to postal services.
Country Example	<ul style="list-style-type: none"> • In general AU members have taken great strides in undertaking institutional reforms. Many countries have established clear roles and functions for the policy maker, postal regulator and designated postal operator. • In Tanzania the three roles are split between the Government, Tanzania Posts Corporation and the Tanzania Communications Regulatory Authority.
Policy-maker	<ul style="list-style-type: none"> • Approving postal sector policy • Integrating postal sector policy into wider communications sector and ICT Policy • Focus on Universal Access in communications • Focus on financial inclusion and use of postal network in improving access and delivery of financial services to population at large.
Country Example	<ul style="list-style-type: none"> • In recent years a number of countries have commissioned consultants to assist in the development of postal sector policies. Botswana, Ghana and Seychelles have all undertaken such studies and all can be used as good examples of postal sector policies.
Regulator	<ul style="list-style-type: none"> • Establishing postal regulatory function with professional staff capable of monitoring the sector • Realize proper annual reporting from designated postal operator • Agree on pricing adaptation mechanism for UPS with designated postal operator • Elaborate postal regulatory functions in most effective and efficient way with main focus on cost and quality of UPS
Country Example	<ul style="list-style-type: none"> • In general postal regulation has been established as part of wider ICT regulatory bodies. In Tanzania this is the Tanzania Communications Regulatory Authority. The advantage of this approach is to utilise the staff and resources of the telecoms sector to regulate the postal sector. • In contrast in Ghana an independent postal regulator has been established. The Postal and Courier Services Regulatory Commission is a stand-alone regulator.
Designated Postal Operator (DPO)	<ul style="list-style-type: none"> • Restructuring of postal entity into market and customer oriented organisation • Establish professional management for general management positions and key functional management. • Establish ICT unit in postal organisation to start and develop e-postal services • Improve financial accounting • Improve cost accounting • Improve annual reporting to different stakeholders
Country Example	<ul style="list-style-type: none"> • Several postal operators have undergone significant restructuring in recent years. Successful examples include South Africa Post, Mauritius Post and several postal operators in East Africa. Not all restructuring has been financially successful but this must be considered as part of the financial situation of the country

Hereafter we indicate some factors having a proven track-record in development of postal services.

Lessons learned from best practices in improving postal management	
Business plan	Develop 5 year Business Plan and 1 year Operational Plan Set reasonable targets and monitor progress and results
Business development	Develop e-postal services Develop postal financial services Develop value added mail services Develop network of postal service points including franchise options
Strengthening management	Recruit some management with experience in private sector Recruit functional management with professional background and proven track-record in comparable jobs in industry and service sectors
Improving systems	Focus on development of management systems in all areas such as: <ul style="list-style-type: none"> • Quality management • Cost allocation and cost accounting • Financial accounting and reporting • ITC databases and ITC network development • HRM and Training
Performance	Agree on performance contract with policy-maker, owner and regulator Develop monitoring system for measurement of operational performance

6.3. Proposals for sustainable provision UPS in Africa

Governance and institutional framework

- The consultant advises to continue postal reform as advised in UPU policies and focus on governance issues in relation with sector stakeholders
- Reform the designated postal operator to enable improved and wider postal service provision.

Ownership

- The consultant advises to elaborate the ownership role and functions to realize improved governance for the postal sector.

Governance postal operators

- The consultant advises to focus on improvements with the governance within the designated postal operator through focus on:
 - Cost allocation systems
 - Separated accounting for universal and commercial postal services
 - Establishing a model and agreements on cost-allocation of the reserved postal services between the postal regulator and designated postal operator
 - Agreement on monitoring of UPS and reserved postal services by postal regulator
 - Agreement on annual reporting of operational and financial performance with differentiation for
 - Reporting to postal regulator
 - Reporting to owner
 - Reporting to public at large (website)
 - Strategy and Business Planning
 - Focus on development of value added services

- Establishing integrated communication centres in rural areas
- Focus on development of postal financial services and agency services through ICT support to the designated postal operator in updating its network with ICT infrastructure and staff capacities

Integrate postal services in wider framework of communication and ICT services

- The consultant advises to integrate postal services development with wider telecommunications and ICT services with attention to:
 - Establishing **Universal Access Policy** for wider communications sector;
 - Develop ICT Policy including the Post and options to improve e-services through the postal network
 - Consider implementation of converged communication sector regulatory bodies to cover integrated developments for the sector as a whole and use of new media by all sectors

Integrate postal services with strategy for financial inclusion

The consultant advises to promote the use of the postal network to provide ICT based postal financial and information services including:

- A Policy for financial inclusion which includes the use of the postal network for service provision to the population at large
- Consider the establishment of a Post Bank or Postal Savings Bank, which uses the postal system as its main point of service supplemented with other contact points (franchises, shop-in-shop formula, ATM's, etc.)
- Establish a clear governance between the Post and financial institution (Post Bank, Postal savings Bank, Other banks, Other relevant institutions)
- For more specific elaboration we refer to the other Study commissioned by AUC for "Development of Postal Financial Services in Africa: Strategies to Increase the Inclusion of Low-Income Populations" to be finalised about the same time with this Study

Develop framework for Market liberalisation

- **Comparison development path AU with EU**
 - Assess Market Liberalisation Framework of EU for possible use for AU
 - Conclude on main options for market liberalisation in limiting scope of reserved postal services (weight/price criteria)
 - Establish path towards market liberalisation gradually liberalising specific market segments and/or mail categories such as advertising mail, cross-border mail, bulk mail, etc.
 - It is observed that the EU model was based on commitment of all EU members with the start of the EU Green Paper in 1989, while the AU has not really touched on this subject yet in the same decisive way. At the same time market liberalisation has taken place in many countries not only by increased express mail and value added services by private sector service providers, but also by increased telecommunications (Internet and mobile communications), which may be reason to consider market liberalisation based on actual market changes and less on general policy principles not put down in practice.

- **Own choice and solution for Africa**
 - Assess options for market liberalisation development path for Africa
 - Agree on scope and definition for reserved postal services (price/weight)
 - Agree on nationwide standards for QoS, which allow practical applications for remote/rural areas with less mail volumes
 - Agree on pan-African standards for mail conveyance between capitals of all AU Member States

7. Development of Guidelines of implementation

7.1. Establish AUC Protocol on development of postal sector policies

- The SADC Protocol can be taken to a higher Pan-African level to stimulate and improve development of the postal sector in Africa based on a AUC Protocol;
- The main subjects of priority and attention such as Objectives, Postal Services Policy, Infrastructure development, Operational standards and procedures, Postal Security and Human Resource Development are provided in this approach (and indicated previously in par 3.5.3. this report) and suitable for a Pan-African approach as well;
- However the differences are that the AUC Protocol is less general and more concrete in its actions. At the same time no evaluations are available how this has worked in practice.
- In a later phase, the issues and subjects above can be supplemented with others, keeping pace with developments in the sector

7.2. Develop integrated Communication and ICT policies ensuring universal access

- It is advised to apply a much wider definition of **Universal Access to communication** integrating telecommunications, ICT and postal sectors adding other media as well;
- It is advised to make such integrated communications policy UA objectives explicit in policy development for the sector as a whole, as such development would aim at providing integrated solutions and applications to be used especially in rural and remote areas;
- It is advised to integrate postal regulatory functions with communication and/or multi-media regulatory functions:
 - As communication services become more intertwined, single regulatory institutions will meet increasing problems to deal with solutions;
 - Multi-sector regulators and/or converged multi-media regulatory functions can work more effectively and efficiently in combining professional staff capacities and institutional resources for regulatory activities.

Country	Overview some relevant examples of developments towards integrated policies and converged communications regulatory authorities
Botswana	<ul style="list-style-type: none"> • In 2006 Botswana⁴³ started a project for UA to communication covering the Telecommunications, ICT, Broadcasting and Print Media and Postal sectors. • The rationale for a joint UA policy is the following: <ul style="list-style-type: none"> a) All four sectors are concerned with provision of information, entertainment and communication, jointly representing what the “knowledge infrastructure”; b) The overlap between the sectors is expected to increase with time, such convergence is already happening with phones providing financial services, the Internet delivering video and radio, post offices offering Internet services and broadcasting services becoming increasingly interactive; c) All four sectors need to be managed and monitored in regards to UA policy, implementation and fulfilment, which could be done by a single agency, possibly by the envisioned converged multi-sector regulator; and d) UA is a distinct policy objective and its delivery in several essential sectors could be summarised in a single policy; • The integrated policy is still pending approval with government authorities. • At the same time proposals for a converged Communications Regulatory Authority (BOCRA) are pending
Sierra Leone	<ul style="list-style-type: none"> • Regionally, the Economic Community of West African States (ECOWAS) developed a harmonised policy for ICT in the West African region in 2007; • In October 2009 a new NATIONAL ICT POLICY OF SIERRA LEONE was established by the Ministry of Information and Communications. The policy deals with Telecommunications, ICT, Post and Broadcast Media and a converged regulatory authority for all sectors; • Much attention is given to the relation between economic growth and ICT development including strengthening of all institutions in the ICT sector. • The Government recognises the key role of the postal sector to the development of ICTs in Sierra Leone as the incumbent operator SALPOST is equipped with infrastructure and premises spanning the entire country. The Government is also mindful of the need to converge regulation as technology converges across the postal, telecoms and media sectors.
South-Africa	<ul style="list-style-type: none"> • Within SAPO the development of the postal sector through ICT investments has paid off over recent years with increased volumes of transactions at postal counters and better service provision. • Public Internet Terminals (PITs) have been installed in post offices • In terms of the Electronic Communications and Transaction Act, SAPO has been appointed a preferred Authentication Service Provider enabling the Post to provide services for government institutions and Public Bodies.
Swaziland	<ul style="list-style-type: none"> • In 2005 the Government of the Kingdom of Swaziland developed an Information and Media Policy covering different sectors such as Radio, Television, Print Media, Telecommunications and ICTs. • It is observed that the postal sector was not included in this wider approach at the time, although SwaziTelecom and SwaziPost are integrated in one Post and Telecommunications Corporation Swaziland • SwaziPost has full benefit of this integrated approach in investments and developments of the postal network through ICT applications in postal operations resulting in increased volumes of transactions for different kinds of Agency Services.
Tunisia	<ul style="list-style-type: none"> • In 2002 the Government established an ICT Strategy for the country to

⁴³ Universal Access and Service Policy for Botswana Development of a Universal Access and Service Policy for the Communications Sector in Botswana submitted to Botswana telecommunications Authority by Intelecon consultancy in December 2006

	<p>stimulate development of e-services;</p> <ul style="list-style-type: none"> • Over recent years Tunisia Post has received support from this strategy in improved ICT based service provision resulting in steep increase of Postal Financial Services and Agency services. • The new Business Model of Tunisia Post is increasingly based on postal e-services in all areas through e-government, e-payments, e- Commerce and other activities.
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7.3. Integrate postal sector policy with policy financial inclusion

- Financial inclusion is a main objective for many African countries and a policy focusing on improved financial services provision and increasing access cannot ignore the role and contribution of the postal network;
- As this is the subject of a separate AUC Study, it is not further elaborated in this Study, although it is clear that this is one of the main challenges for the future of the postal sector in Africa.

Country examples	Overview
Benin	Underway with e-Benin programme to be applied for postal financial services
Egypt	Developing postal restructuring with more focus on provision of postal financial services
Tunisia	Since 2000 focused on e-government and e-postal services with huge impact on increasing mail volumes and financial transactions

7.4. Consideration market liberalisation AU

Is it recommended for the African Union to follow a similar path as the European Union with regard to market liberalisation? We consider the path taken by the EU and consider whether the conditions in Africa are in place to follow such a path and what the benefits would be of market liberalisation.

7.4.1. Experience market liberalisation EU

The European Union began the integration and harmonisation of postal policies in 1992 with a Green Paper on the development of the single market for postal services.

The European Union⁴⁴ with a focus of creating a single market and stimulating competition has developed a Postal Sector Policy aiming at increasing the welfare for its citizens in providing postal services responding to developing customer needs. The market and policy development however have a much wider implication as these give guidance to many countries outside the EU as well.

The process towards full market opening has been a gradual one, covering a period of 20 years, allowing all Member States to keep up with the pace of reforms.

Year	EU Path towards liberalisation of postal service sector
1992	Green Paper on the development of the single market for Postal Services
1994	Council Resolution setting EC policy objectives
1997	1st Postal Directive (97/67/EC)

⁴⁴ While we elaborate the EU area in this report, this by no means implies such reforms are not taking place in other countries as well. Australia and New Zealand have always been at the forefront of postal reforms, while also many countries in Africa and Asia have implemented structural postal reforms

1999	1st reduction of reserved area (less than 350g)
2002	1st application report
2002	2nd Postal Directive (2002/39/EC)
2003	2nd reduction of reserved area (less than 100g)
2006	3rd reduction of reserved area (less than 50g)
2006	3rd application report Prospective study
2008	3rd Postal Directive (2008/6/EC)
2010	Full Market Opening
2012	End of transitional period for 11 Member States

The EU postal reforms are based on six main objectives⁴⁵:

1. **Choice** – creating conditions that provide business and individuals with choices in types of service and service provider they can use.
2. **Affordability** – stimulating affordable postal services for both businesses and individuals.
3. **Availability** – safeguarding regular supply and convenient access.
4. **Quality** - fostering high quality, efficient and reliable domestic and intra-community postal services.
5. **Universal Service** - ensuring the provision of a universal service that meets existing and future customer needs.
6. **Sustainable growth** - ensuring that the European sector framework contributes positively to the overall Community economic growth and competitiveness.

The European market is to a large extent open to competition on a transparent and non-discriminatory basis for all suppliers of postal/courier services. The EC⁴⁶ seeks market opening and national treatment, compatible with the universal service obligation, from all WTO partners on a maximum level in all sub-sectors, as set out in the EU Communication on classification of postal/courier services of July 1999 at the WTO. Full commitments are sought in the short term for the following areas: express delivery services, handling of addressed parcels and packages, handling of addressed press products, handling of non-addressed items and document exchange, while gradual market opening and national treatment is sought for the rest of the areas, which are handling of addressed written communications and handling of items as registered or insured mail.

For the Universal Service Obligation the European Union and its 27 Member States has approved the following policy⁴⁷:

“Any Member has the right to define the kind of universal service obligation it wishes to maintain. Such obligations will not be regarded as anti-competitive per se, provided they are administered in a transparent, non-discriminatory and competitively neutral manner and are not more burdensome than necessary for the kind of universal service defined by the Member.”

European Union postal sector policies have been under increasing influence to establish a common and liberalised postal market in all Member States. From the publication of the Green Paper in 1992, to the first Postal Directive in 1997 and later Postal Directives in 2000 the EU countries have been

⁴⁵ The Third Directive: an Update on Progress, Dr. Jörg Reinbothe Head of Unit European Commission DG Internal Market and Services, Brussels 2008.

⁴⁶ EC = European Commission

⁴⁷ WTO TN/S/W/26 - 17 January 2005 (05-0187), Council for Trade in Services

stimulated to respond to changing market needs and a changing and more global and liberalized market environment.

All these developments put postal sector restructuring higher on the political agenda as shown in successive sector policy papers, research papers on postal sector policies and continuous postal law revision in all countries involved. While the EU is forced to develop an explicit Postal Sector Policy giving guidance to developments in its Member States, these developments have a general relevance as they reflect more or less developments taking place in other countries as well.

The main driver is “benchmarking” and “learning of best practice”, where countries take lessons from good examples in leading countries to establish a viable postal sector for the longer term. Where in many countries public postal operators have operated with (huge) deficits or (very) low quality service provision, all countries now show increasingly viable postal entities, which are learning to compete and cooperate with other service providers to the benefit of the users. Mature postal markets have seen new entrants in the postal sector providing value added services and focusing on specific sector and user needs for improved service provision. Institutional reforms in the postal sector are more or less taking place in all countries, at least in those countries, which are ambitious and want to participate in increased added value for its citizens. One of the future consequences of EU liberalisation of postal markets with high impact for postal operators will be levelling customs clearance procedures for all postal operators, taking away some (cost and time) advantage public postal operators had over private sector operators during the last decades.

7.4.2. Alignment UPU/EU/AU postal sector policy on development of UPS

One of the main issues is how new EU policies on development of competition in the single EU postal market relate to the UPS policy of the UPU. This is an important question throughout the world. Many incumbent postal operators, especially in Africa, generate deficits without securing provision of the UPS. The EU policies formulate UPS in general terms, leaving it to each State to define specifics concerned with minimum range of postal services comprising postal items, parcels, registered and insured items. Quality of service and access definitions also remain a national prerogative, while quality standards for intra-European mail are specified by the European Commission.

The new EU Postal Directive leaves it to the discretion of States to spread the UPS to one or several operators, and even to subdivide it by region or service component, and does not explicitly exclude any universal service funding mechanism. The option of making the provision of postal services subject to declaration or authorisation systems remains, with the clarification that these systems must not represent an obstacle to market entry. In particular, the Directive prohibits ex ante restrictions on the number of service providers.

The Directive sets out the principle that a certain number of installations or information held by the universal service provider must be made accessible to its competitors, namely:

- P.O. boxes in post offices;
- Private letter boxes for mail delivery to the addressee at the home and/or business address;
- Mail Redirection services;
- The use of the postcode and updates of the national postal address system.

The Directive takes on board the national provisions that already exist in the domestic legislation of several European countries. The scope of regulation covers postal service activities involving the clearance, sorting, transmission and delivery of postal items in the course of regular rounds. It does not cover the delivery of unaddressed advertising, urban courier services and express transport. Overnight

delivery used to be an exclusive and integral part of UPS in most countries, but since the 1970s it has been a core service of the liberalised express mail with added features, such as guaranteed delivery, track & trace and insurance. At the start of the EU Green Paper, courier and express mail were considered part of the already liberalised postal services and were not dealt with in the EC Postal Directives since 1997. Unaddressed mail was not considered a postal product in some countries, while liberalised in others and for these reasons the EC decided to leave this outside the scope of the EC Postal Directives.

7.4.3. Funding of UPS in EU area

The directive permits the use of external funding resources under certain conditions:

- If universal service provision represents a net cost for the operator responsible for providing it;
- If this cost represents an unfair financial burden.

Under these conditions, an offset fund may be set up:

- Based on objective, verifiable principles, particularly as regards the calculation of contributions.
- Under the control of the National Regulatory Authority (NRA).
- Taking account of the advantages derived from being the universal service provider.
- Taking account of the right to make a reasonable profit.
- With the aim of encouraging the universal service provider to pursue economic efficiency.

7.4.4. Review of UPS scope and definition

While the UPS definition stays very much the prerogative of the individual countries it must be kept in mind that historically the UPS provisions were formulated to secure basic postal service provision.

Where in many countries this is achieved, the term “basic postal services” becomes important to limit the scope and definition of the UPS and UPS burden for all stakeholders beyond what is considered to be essential for national economic development, while opening the market up for new and value added (postal) service provision for all users⁴⁸.

7.5. Challenges for Market Liberalisation Africa

The key question here is if Africa should embark on a similar development path the European Union.

It should be considered that with market liberalisation and abolishing of postal monopolies, the designated postal operators have maintained their dominant market shares in the addressed letter mail markets due to available infrastructure and UPU based exchange of cross-border mail.

It should also be considered that technology developments and mail substitution (Internet based communications), development of value-added services (courier and express, logistics, etc.) and development of competition (cross-border mail) will continue to have impact and increase of monopolies is not the solution. Crucial here is what is to be done with the PO Boxes as the main delivery channel as this exclusive use of this channel will continue to have practical (monopoly) implications for reserved postal service.

More issues are to be addressed, which could be explored by extending the Study with postal consultancy in this field.

⁴⁸ Recent example is the market liberalisation in Singapore, where UPS includes provide services for the conveyance and delivery of letters to any person in Singapore, while the delivery of letters and parcels is open to competition

8. Recommendations on funding UPS in Africa

In this report on analysing funding options we highlighted 11 funding options might be considered appropriate in African Union members. Below we discuss those and rank them in order of relevance.

1 Streamlining Postal Operators

Streamlining the way universal service is provided will reduce the cost of its provision. Postal operators should look at how they can better utilise staff, equipment and buildings. Where there is excess staff in a location the postal operator can extend opening hours to better meet the needs of customers. Where there is excess space in buildings it can be used to provide other services or rented to third parties. Where equipment is poorly utilised (such as transport) it can be rented for use by other companies or for other products.

2 Revenue Growth

Many postal operators in Africa provide a narrow range of products and services. It is essential they develop new products and services to expand their revenues and make more efficient use of resources. Postal operators should look at nationwide agreements with large companies to provide new products, and at local initiatives to develop products and services suitable for individual post offices.

3 Franchising

Postal operators should consider franchising small post offices. Our consultants carried out a study in a country in the Middle East with similar mail levels to the Africa average. The following table shows the mail volumes passing through post offices.

Mail Volumes	Number of Post Offices
0-20	171
20-50	108
50-100	42
100-500	50
500-1,000	2
1,000-5,000	4
5,000-10,000	3
TOTAL	380

It can be seen that 171 post offices that handle less than 20 items of mail per day and 320 (85%) post offices handle fewer than 100 items per day. This is almost certainly the case throughout Africa. A solution is to offer postal services through franchise or agent agreements with existing shops. In the UK and Holland virtually all post offices are agents and in France La Poste is slowly replacing fully owned post offices with agents working from an existing business such as a local bakers.

4 Universal Service Connection Fee

It is recommended those countries providing delivery through PO Box services continue to do so and do not be tempted to provide free home delivery.

It is our opinion that countries with only PO Box delivery should be financially viable, if they provide good service and take on board the other recommendations highlighted above.

It is further recommended that postal operators offer home and office delivery but charge for the service according to costs incurred.

5 Reserved Area

Given the differing nature of the reserved area between member countries there is no definitive suggestion of what the reserved area should be. Additionally there is no consistent enforcement of the reserved area in member countries. Generally the reserved covers at least the following areas:

- Letters to a given weight (this is steadily reducing from 2kg)
- PO Boxes
- Philatelic products

In reality only the PO Box and philatelic products have effective barriers to entry for reserved areas. There are numerous examples of companies entering the letters market but often this is a result of serving a market need rather than competing directly with the postal operator. An example is the delivery of utility bills. Many postal operators do not offer home delivery and therefore utility bills are delivered by the utility companies themselves or other third parties. Technically this may be a breach of the reserved area but the utility company has little choice.

If the reserved area is to be enforced it is important to give customers a way of using alternative suppliers. Typically this would be by allowing competitors to provide services at a prescribed rate about normal tariffs.

Some postal operators will argue for a strengthening of the reserved area to include all letters under 2Kg. They believe such action will force customers to use the services of the postal operator. It is more likely to result in customers resorting to strange strategies to be able to use courier companies that guarantee delivery of mail

6 Cost Based Pricing

It is recommended that large countries consider moving away from uniform pricing if competition in local mail dictates this appropriate. Other network industries such as fixed line telecommunications, rail fares or bus fares charge for distance. Within the postal sector courier and express companies charge higher rates for packages that travel further. In smaller countries cost based pricing is impractical but large countries with poor infrastructure should consider this as an option.

7 State Subsidies

State subsidies should only be considered as a last resort but it is likely some postal operators will require state funding in the coming years. If subsidies are given they should be provided as explicit subsidies.

This means the subsidy would be agreed as part of the budget to meet the requirements of providing universal service or temporary investment in developing the network and postal infrastructure for future UPS provision and a sustainable postal service in the country.

Case state funding South-Africa⁴⁹:

The South African Post Office was allocated a subsidy of R383.1 million for the 2009/10 financial year and the amount carried forward from the 2008/09 financial year amounted to R301 million. Hence the total subsidy available for the 2009/10 financial year was R684 million.

In the recent medium-term expenditure framework future subsidies from government have been reduced to R306 million in 2010/11; R180.4 million in 2011/12; R52 million in 2012/13 to zero thereafter.

The allocation of the subsidy was planned for the following projects:

1. Covering the Universal Service Obligation : R136 million;
2. Investments in property and infrastructure: R 251 million;
3. Development of IT infrastructure : R250 million
4. (Recoverable) VAT : R47 million

8 Concession

Governments can also consider offering their postal operator to the private sector as a concession agreement. This can be a way of introducing much needed investment and commercial practice into the operation of the postal operator. It may also be a way for Government to rid itself of the responsibility of trying to provide postal services and instead allow the private sector to deliver such services.

8.1. Consideration main options in framework harmonization of postal sector policies in Africa

While the options above are in principle available for all countries it is not likely that all of them will qualify for harmonization of African postal sector policies as the political conditions and a stable socio-economic environment are different in all countries.

Hereafter the consultant considers all options in this respect:

- **Streamlining of postal operations** is simply a must for all operators to counter technology developments and increasing competition; Developments will continue to differ between countries and harmonization efforts here are not needed in our view;
- **Revenue growth** is a challenge for all of them as well, but many postal operators are dependent on the state for financial resources; Again this does not qualify for harmonization efforts, although learning from others and making progress unites all member countries;
- **Franchising** is a new opportunity but it is clear that state owned and state managed postal operators have less conditions in place to develop in this direction and prefer to establish partnerships with other service providers as Agency Services. Some examples show that this not necessarily has to be so (e.g. Senegal) while in general solutions in this area will be country and partnership specific. Exchange of experience, solutions that show results, solutions of contract relations between public-private partners can be shared without need for harmonization;

⁴⁹ South-Africa indicates in its annual report 2010 to receive state subsidies for covering universal service obligations and network development

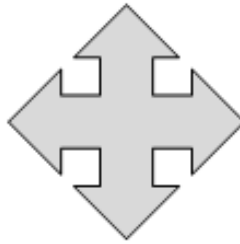
- A **US connection fee** may qualify for harmonization, but as cost of PO Boxes are experienced quite differently in countries involved and efficient and effective use of PO Boxes is questionable in some countries, the consultant does not expect AUC Member states to unite around such solution.
- **Maintaining a reserved area** is not only on a global scale but for the African environment as well one of the most recommendable options for funding. However the scope of the reserved area should be critically assessed as development of competition in the postal sector in general has benefits for its customers. Limiting the scope of the reserved area to about 100g would be the essence of maintaining a reserved postal services area.
- **Cost-based pricing** is a method open to all countries and although recommendable there are many different cost allocation approaches suitable as well and it is not to be expected that AUC Member States will unite around one specific solution;
- **State subsidies** are in general admissible if provided on a specific and temporary basis not to cover pricing of services but as investments in the infrastructure and ICT conditions to provide postal services in the whole territory of the country. In an integrated ICT approach of communication services it is to be expected that the new services will provide better margins, which will also support maintaining the infrastructure for postal services as well. An example is the Swaziland “communication centres” and Botswana “Kitsong centres” requiring a technological infrastructure funded by the state or private investors, but with clear benefits to postal service provisions well;
- The **concession** is an approach which will not be suitable for all countries for the simple reason that geography and market development of remote and rural areas will remain a problem for any investor. For some countries it could be considered to establish regional concessions with interconnection arrangements with the designated national postal operator. However this seems a solution that will not meet much support in those countries struggling with national authority of state institutions already.

9. Overall Recommendations

Main directions of our recommendations:

Develop Protocol on Harmonization for postal sector of AUC Member States

Integrate postal sector policy and regulatory sector institutions into wider Communications and ICT sector policy aiming at improving **Universal Access (UA)** for all communication services



Integrate postal sector policy with universal access to financial services and **Financial Inclusion** and secure sector governance in both (postal- and financial-) sector regulatory institutions

- Develop path towards **market liberalisation** for AU similar to EU) while strengthening regional cooperation in policy, regulatory activity and governance of the postal sector

9.1. Develop Protocol on Harmonization for postal sector of AUC Member States

1. Develop Protocol to be applicable for all AU Member States;
2. Agree on Protocol with AU Member States
3. Establish annual reporting to Ministry by postal regulatory authorities
4. Establish exchange platform for learning from “best practice” and specific solutions applied in postal practice
5. Set up working groups around specific themes reporting to PAPU and AU Policy Unit

9.2. Integrate postal sector in wider Communications and ICT sector policy

1. Focus on Universal Access in communications involving all communications sectors (Telecommunications, ISP's , Post and other media)
2. Establish common key indicators for such communications services in rural areas
3. Integrate such key objectives and key indicators in adapted Communications Policies
4. Share use of applied technology to make progress with improving access to population at large
5. Set up working groups around specific themes reporting to PAPU and AU Policy Unit

9.3. Integrate postal sector policy with policy Financial Inclusion

1. Focus on Financial Inclusion in National policies and Multi-year Country Strategy Plan
2. Establish common key indicators for increasing access to financial services
3. Integrate such key objectives and key indicators in adapted National and Communication Policies
4. Share use of applied technology to make progress with improving access to population at large
5. Set up working groups around specific themes reporting to PAPU and AU Policy Unit

9.4. Develop path towards market liberalisation for AU

1. Explore Development path for AU similar to EU market liberalisation
2. Agree on development path within AUC
3. Set targets for implementation and monitor progress
4. Realise annual reporting to sector stakeholders and AUC Ministry Meeting
5. Set up working groups around specific themes reporting to PAPU and AU Policy Unit

10. Preliminary Action Plan

Area	Action	Authority	Implementation period		Deliverable
			Start	Duration	
Interim Report	Submit Interim Report to stakeholders	AU Commission	End of February 2012		Letter and draft IR sent out to stakeholders
Interim Report	Feedback on Interim report	AU Commission	Upon submission of draft	2 weeks	Comments received from Member States
Workshop	Apply revision into input for workshop	Consultant	October 2012	2 weeks	Presentations by consultant
Workshop	Organize the stakeholders workshop	Consultant	End of October 2012	2 days	Contribution from all stakeholders
Ministerial Conference In Sudan	Organize the Ministerial Conference to discuss findings and address recommendations	AUC Consultant	2- 6 September 2012	5 days	Contribution from all stakeholders
Continuation	To be decided after workshop and Ministry Meeting				

11. References

Year	Source/Author	Title	Contents
1999	AUC	Treaty establishing the African Union Community	Policy principles establishing the African Union Commission agreed on June 3 rd 1999 in Abuja in Nigeria.
2007	Consultant team including Mr. Mazou and Mrs. Masaviru. December 2007	Final Report Study on the Harmonization of Postal Policies, Regulations and Strategies to Strengthen the Postal Sector in Africa	Diagnostics and overview postal sector reform in Africa. Main findings and recommendations for way forward.
2007	UPU Ouagadougou, Burkina Faso, les 20 et 21 novembre 2007	Le Service postal universel en Afrique sub-Saharienne Déclaration de Ouagadougou	Conference results and conclusions on providing a sustainable UPS in the postal sector in Africa. Quel modèle adopter pour un service universel durable?
2008	AUC	EX.CL/434(XIII) Report	EXECUTIVE COUNCIL Thirteenth Ordinary Session 24 – 28 June 2008 Sharm El-Sheikh, EGYPT
2008	AUC	EX.CL/Dec.435 (XIII)	DECISION ON THE SECOND SESSION OF THE CONFERENCE OF AFRICAN MINISTERS IN CHARGE OF COMMUNICATION AND INFORMATION TECHNOLOGIES (ICT)
2010	AUC	AU/CITMC-3/MIN/Decl.(III) 2010 Abuja Declaration	THIRD CONFERENCE OF AFRICAN MINISTERS IN CHARGE OF COMMUNICATION AND INFORMATION TECHNOLOGIES 03 - 07 August 2010 Abuja, Nigeria