

**Prospective study on the future
activities of the QSF**

Report

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Report on behalf of the UPU

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0 Management Summary

0.1 Background and goal of the report

The Beijing Congress of the Universal Postal Union (UPU) of 1999 decided the creation of a Quality of Service Fund (QSF) with the intention to benefit developing countries: “the exclusive aim of the fund is to finance projects designed to improve the quality of service in the beneficiary countries.” The upcoming 2016 UPU Congress will have to decide whether the QSF should be phased out, kept as it is, improved in selected aspects or redesigned more thoroughly. In light of these important decisions, Swiss Economics was commissioned by the UPU to conduct a prospective study on the future activities of the QSF. The goal of this study is to provide sound input into the formulation of recommendations to the upcoming 2016 UPU Congress on future changes to the QSF and, if necessary, to propose a new QSF business model.

0.2 Approach and information sources

The basis of the study is a thorough review of the existing QSF along its operational processes, funded projects, and achieved impact. Core sources of the review are:

- documentation on the QSF such as the QSF Deed of Trust, the QSF Project Management Manual, and the QSF Financial Management Manual;
- interviews with the QSF team;
- the QSF project database maintained by the QSF team with data for 789 project proposals and extensive documentation for undertaken projects;
- QSF financial data from 2001 to 2014 including financial flows between countries;
- a comprehensive survey among all beneficiary and contributing DOs with 207 responses from 121 DOs, where answers have spread well along the five UPU country groups and eight country regions.

In a second step, alternative options and models are explored based on an adapted set of goals, as aligned with the QSF ad hoc group. Options are then in a third step condensed to specific models for which the future financial consequences are estimated, resulting in a preferred model best meeting the future objectives of the QSF. Ultimately, strategic and operational aspects of its implementation are discussed for the preferred model.

0.3 Reviewing the QSF

The review of the QSF produces the following main findings:

- Until May 2015, 789 project proposals were submitted by beneficiary DOs. Thereof, 601 were approved and 468 were completed. The process of approval lasted about half a year. An approved project was officially terminated after about three days.
- An evaluation of the four main processes (handling of proposals, project monitoring, evaluation, billing) reveals high satisfaction with most dimensions of the processes. Potential improvements relate to shortening the time necessary for project approvals and evaluation and to a reduction of the administrative burden in billing.
- The typical project funded by the QSF is of national scope, has a budget of USD 185'000, is run by a group 3 country and relates to quality of service measurement including International Postal System (IPS). The smallest funded project had a budget of 986 USD and the largest USD 3.2m. Whereas there are no differences among country groups with regards to

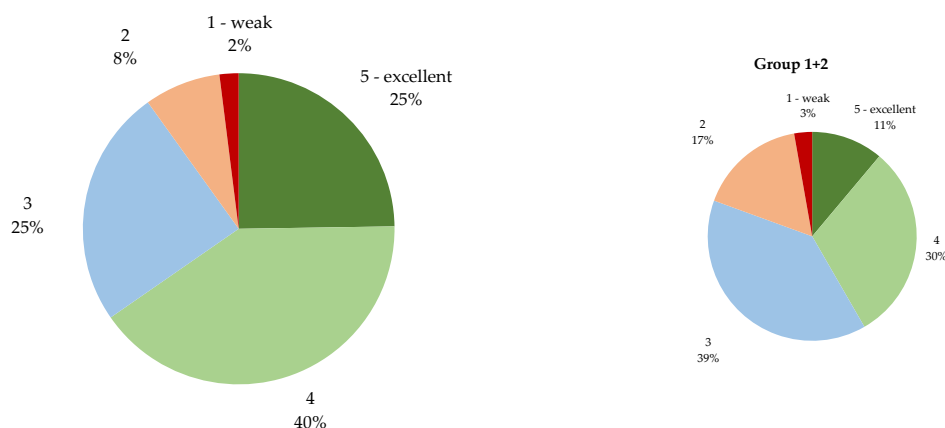
the nature of projects (delivery-related, IPS, etc.), project budgets are substantially smaller for countries of group 4 and 5.

- Both external and internal evaluations of the funded projects acknowledge high cost effectiveness and fulfillment of project aims. The evaluations also attest high relevance for the postal development priorities, accordance of project focus with QSF objectives and a high overall rating. The QSF has clearly helped countries to introduce IPS and GMS. Regional and global projects require higher coordination and management efforts, these appear to perform equally well as local projects.
- In total, contributions since 1999 amount to more than USD 180m, thereof origin more than 90% from the 14 largest contributors. So far, projects amounting to about USD 110m have been approved or accepted by the BoT. The total balance of beneficiary DOs stands at about USD 70m, with more than 50% of balances attributed to group 3 countries which have also received more than 50% of contributions compared to the other groups. Since 2008, the fund’s yearly administration costs of about USD 1.4m have been higher than its financial revenues which have decreased because of low interest market conditions.
- DOs attribute the QSF a high positive impact on beneficiary DOs for quality of service issues. About 80% of DOs say that the QSF was important or very important in increasing quality of service. Although group 1 and 2 countries being somewhat more skeptical, the DOs highly agree that the QSF is reaching the intended countries and that it has increased the quality of the international postal network. They also largely agree that the right kind of projects are supported and that the fund is meeting its objectives.
- Contributing DOs are raising concerns that the continuing high QSF balance, which may help to stem larger projects, but can also be interpreted as an insufficient use of funds by beneficiaries, may impact the donator’s competitiveness. Many DOs suggest an extension of the now limited scope of the QSF from quality of service of letter mail to parcels, other products, network capabilities or more global projects to improve the global postal network.

Overall, two out of three respondents rate the work of the QSF as excellent or good, as shown in Figure 1. Only 10% give negative ratings. The excellent ratings stem in particular from country groups 3 to 5. The net contributing countries Groups 1 and 2 are more skeptical, but still, 80% of respondents provide neutral or positive ratings.

Figure 1: Overall rating

What is your rating for the overall work of the QSF?

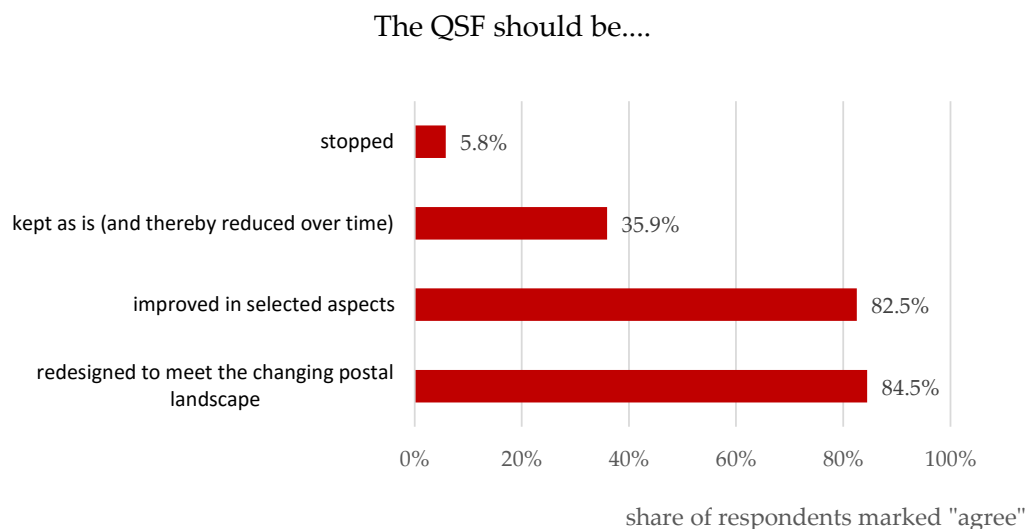


Source: Swiss Economics

The results of the review suggest that the QSF has effectively achieved quality improvements of the international postal network. This leads to a first conclusion that **the QSF can and should continue**. Based on the identified room for improvements and future challenges, the QSF may however require some changes to its current form.

This conclusion is in line with the DO’s view on how to go forward with the QSF. As shown in Figure 2, only 6% of respondents would agree to stop the QSF, whereas over 80% **agree to either improve or redesign the QSF to meet the changing postal global landscape**. With 84.5%, the most progressive option of redesigning the QSF receives the highest acceptance rate.

Figure 2: Future direction of the QSF



Source: Swiss Economics

0.4 Improving the QSF

To identify how the QSF could be improved, economic theory and other funds were reviewed, market and regulatory developments analyzed, options for change elaborated, and survey results on the future QSF consulted. Based on this work, the QSF ad hoc group decided to suggest the following **future goal for the QSF**:

“Measurably improving quality of service, weak links and sustainability of the global UPU postal network”

The QSF’s primary goal remains quality of service, with an emphasis on measurability of quality improvements. In order to guide the QSF’s development, it also emphasizes the postal system as a chain of activities which is as strong as its weakest link. Therefore, improving the weak links is the most efficient approach to improving the system. Moreover, quality gains might be temporary or lasting. The fund commits itself to focus on lasting, i.e. sustainable improvements of quality in the postal system.

For improving the QSF, a series of **options** have been developed and tested against the survey results, an analysis of similar funds in other industries, and recent and expected market and regulatory developments. Thereby, particularly the following five main **directions for improvement** as illustrated in Figure 3 have been identified.

Figure 3: Main directions for improvement

1. Scope
Finding: Scope of fundable projects today too limited for most of the DOs.

Range: Would you prefer limited classes of fundable projects or a more broad range?

Category	Percentage
1 - limited range	6%
2	12%
3	18%
4	26%
5 - broad range	38%
No answer	0%

- **Broaden the scope of fundable projects**
- Respondents particularly mention cross-border network elements (including outbound) and e-commerce

2. Project proposal procedure
Finding: Only about a third supports strict bottom-up approach of today.

Bottom up vs. top down: Should projects be proposed bottom up (from local DOs) or more top down (e.g. from IB, BoT, etc.)?

Category	Percentage
1 - Bottom up	34%
2	15%
3	27%
4	12%
5 - Top down	10%
No answer	2%

- In addition to the current bottom-up approach, introducing **complementary top-down elements**
- For funding top-down elements, introducing a **“common QSF account”**

3. Use of funds
Finding: Some DO balances remain unused.

- **In the future, transfer of unused funds to common QSF account**

4. The fund's future
Finding: Contributions on Group 3 countries are important.

Group	Percentage
Group 2	3%
Group 3	59%
Group 4	28%
Group 5	10%

- **May apply moderate markups to group 3 countries to sustainably fund the QSF and/or a common account**

5. Measurability
Finding: There are no indicators that can measure the global QSF impact.

- Choosing **measurable key performance indicators** for project evaluations if possible

Source: Swiss Economics

0.5 A sustainable future QSF model

To address these areas of improvement, **three specific models** have been derived and evaluated against six predefined evaluation principles. Also, an impact analysis has been performed. Model descriptions, evaluation principles and evaluation results are shown in Table 1.

Table 1: Evaluating three future QSF models

	Model A	Model B	Model C
Description	Extended scope, unused funds into common account	Extended scope, unused funds into common account, G3 markup for common account	Extended scope, transition to one common account with G3 markup, competitive project selection mechanism
Addresses main findings			
Scope, use of funds	✓	✓	✓
Project proposal	✓ / ✗	✓	✗ / ✓
Fund's future	✗	✓	✓
Evaluation criteria			
Goal orientation	■	■	■
Value orientation	■	■	■
Necessity	·	■	■
Subsidiarity	■	■	■
Accountability	■	■	■
Equivalence	■	■	·
Impact analysis			
Sustainability of fund	✗	✓	✓
Effectiveness	✗	✓	✓

Source: Swiss Economics

The evaluation reveals that **model B clearly outperforms**. Model B extends the scope of the fund, introduces complementary top down elements to propose global and regional projects, foresees a new common account to fund such projects, provides balanced measures to ensure the use of funds and increases the measurability of projects. The main features of Model B compared to the current QSF are summarized in Table 2.

Model B (and only model B):

- best addresses the five main findings of the review;
- provides the best fit with the evaluation criteria;
- ensures the fund's sustainability, stabilizing at 70% of today's size;
- can effectively unlock the potential to improve the UPU's supply chain;
- best meets the DOs expectations.

It is therefore recommended to propose model B and take the necessary steps to get model B effective as of 1 January 2018.

Table 2: Main features of the recommended model B

Elements	Application	Status
Scope of fundable projects	▪ Letters, small packets, light weight parcels	▪ Enhanced. Current: letters
	▪ Supply chain infrastructure elements (including out-bound)	▪ Enhanced Current: primarily inbound
	▪ QDP as a precondition for funding, QDP must base on QSF goal and priorities defined by POC	▪ New
	▪ Projects must improve specific dimensions of QoS	▪ Enhanced. Current: no specific link to QoS
Project selection	▪ Bottom-up projects submitted by beneficiary DOs and any group 2-5 country from common account	▪ Enhanced. Current: only beneficiaries
	▪ Global and regional projects using top-down	▪ New. Current – only bottom-up approach
Funding	▪ Funding based on country Group	▪ Enhanced. Current – funding based on TD status (transition or target)
Unused funds	▪ Funds that are unused after 2 years from the last QSF payment will be transferred to new common account	▪ New.
Common account	▪ Fed by unused funds and mark-up on TD to group 3 countries	▪ New.

Source: Swiss Economics

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Abbreviations

BoT	Board of Trustees
DC	Developing country
DO / DOs	Designated Operator / Designated Operators
FMM	Financial Management Manual
GMS	Global Monitoring System
IB	International Bureau
IC	Industrialized country
ICT-DF	Information and communications technology Development Fund
ID	International development
IPS	International Postal System
ITU	International Telecommunication Union
k	thousand
KPI	Key performance indicator
LDC	Least Developed Countries
LPRG	Letter Post Remuneration Group
m	million
NCC	Net contributor countries
PAF	Project Application Form
PCR	Project Change request
PDI	Postal Development Index
PM	Project Management
PMM	Project Management Manual
POC	Postal Operations Council
QDP	Quality development plan
QSF	Quality of Service Fund
TD	Terminal Dues
UNDP	United Nations Development Program
UPU	Universal Postal Union
USD	U.S. Dollar

Glossary

Beneficiary DOs (Creditors) are operators that receive net payments from the QSF.

Contributing DOs (Settlers) are operators that make net payments to the QSF.

Country groups are relevant to determine whether a country is a beneficiary or contributing DO. There are five country groups, whereby the first group can be further decomposed. The listing of countries per group is composed based on the Postal Development Index (PDI) following a hierarchical approach. The current classification is listed in the Appendix.

Designated Operators (DOs) are operators that have been designated by a UPU member country as the national Universal Service Provider. There can be several DOs for one country.

Global Monitoring System (GMS) is an international quality measurement system managed by the UPU's IB. External panelists exchange test items for the participating DOs.

International Postal System (IPS) is an integrated international mail management application developed by the Postal Technology Centre of the UPU in cooperation with several postal enterprises in 1995. The System combines mail processing, operational management and EDI messaging into one application.

Postal Development Index (PDI) comprises a macroeconomic component (GNI per capita), with a weight of 75%, and a postal-specific component (normal unit cost per letter based on full-time staff), with a weight of 25%.

Postal item is a generic term referring to anything dispatched by UPU postal operators¹ and contains, besides others, letter-post items, parcel-post items and money orders.

- **Letter-post items** are items with a weight limit of 2kg (letters, postcards, small packets), 5kg (between DOs admitting such items, printed papers), 7kg (literature for the blind), 30kg (M-Bags), all up to a certain size/format. **Small Packets** are a subclass of letter-post items with a weight limit of 2kg. Maximum dimensions are defined such that length, width and depth combined cannot exceed 0.9 meter and the greatest dimension may not exceed 0.6 meter.
- **Parcels** are addressed postal items up to 50kg not exceeding 2 meters for any one dimension or 3 meters for the sum of the length and the greatest circumference measured in a direction other than that of the length.

Quality of Service Fund (QSF) is a temporary fund the sole purpose of which is to help Beneficiary DOs (Creditors) by Contributing DOs (Settlers) to improve the quality of the universal postal service during a transitional period, leading up to the adoption by the UPU of a new terminal dues system based on country-specific rates.

SDR (Special Drawing Right) is an international foreign exchange reserve asset maintained by the International Monetary Fund (IMF). SDR consist of a fixed amount of Japanese Yen, U.S. dollars, British Pounds and Euros.

Terminal Dues (TD) refer to the remuneration of a DO for its delivery of incoming cross-border letter post items from another DO.

¹ Cf. definition of designated operator. Hence, postal items in UPU terminology do not refer to items delivered by the private sector, unless it is a DO that has been privatized such as DHL.

1 Introduction

1.1 Background

The Beijing Congress of the Universal Postal Union (UPU) of 1999 decided to move its cross-border remuneration system for letter mail towards country-specific terminal dues (TD) that are cost-based and linked to the quality of service.² In addition, the creation of a Quality of service Fund (QSF) was decided with the intention to benefit developing countries: “the exclusive aim of the fund is to finance projects designed to improve the quality of service in the beneficiary countries.”³

Based on a decision of the 2012 UPU Congress, the QSF was extended until 2020. The upcoming 2016 UPU Congress will have to decide whether the QSF should be phased out, kept as is, improved in selected aspects or redesigned more thoroughly.

In light of these important decisions, Swiss Economics was commissioned by the UPU to conduct a prospective study on the future activities of the QSF.⁴

1.2 Goal

The goal of this study is to provide sound input into the formulation of recommendations to the upcoming 2016 UPU Congress on future changes to the QSF and, if necessary, to propose a new QSF business model (“QSF 2”).

1.3 Approach and information sources

The basis of the study is a thorough review of the existing QSF along its operational processes, funded projects, and achieved impact. Core sources of the review are:

- documentation on the QSF such as the QSF Deed of Trust, the QSF Project Management Manual, and the QSF Financial Management Manual;
- the QSF project database maintained by the QSF team with data for 789 project proposals and extensive documentation for undertaken projects;
- QSF financial data from 2001 to 2014;
- a comprehensive survey among all beneficiary and contributing DOs undertaken by Swiss Economics.

The latter three sources are explained in more detail in **Appendix I**.

Alternative options and models are explored based on an adapted set of goals, as aligned with the QSF ad hoc group. Options are then condensed to specific models for which the future financial consequences are estimated, resulting in a preferred model best meeting the future objectives of the QSF.

For the preferred model, its implementation is outlined.

² Resolution C46/1999.

³ Congrès–Doc 37.Add 1 of the Beijing Congress.

⁴ In accordance with Resolution C 67/2012.

1.4 Project organization and meetings

Formally, the IB of UPU and Swiss Economics SE AG are contracting parties.

Swiss Economics is delivering this report to the **QSF ad hoc group** who will provide its recommendations to the POC. The ad hoc group and Swiss Economics are supported by the **QSF team of the IB**.

The project **steering board** consists of the members of the QSF ad hoc group and its secretary Ms. Chum, head of the QSF team at IB. To facilitate the exchange in the project, a **project committee** has been formed consisting of the secretary and the two Co-Chairs of the QSF ad hoc group, Mr. Marc Paignt and Mr. Terry Dunn.

The following formal meetings have taken place:

- Kick-Off meeting on April 23, 2015 with steering board, also presented to BoT on April 27.
- Interim meeting I on June 15, 2015 with project committee about methodology, structure of report, survey and QSF goals;
- Interim meeting II on October 26, 2015 with steering board on review results and future goals, prepared by a project committee meeting on October 10, 2015, with a follow-up with the project committee on November 9, 2015;
- Interim meeting III on December 8, 2015 with steering board on future models by telephone conference;
- Final meeting on February 10, 2016 with steering board and BoT on results and recommendations.

1.5 Structure of the report

Chapter 2 contains the review of the QSF.

Chapter 3 develops options for an improved QSF and selects a preferred model.

Chapter 4 discusses strategic and operational aspects to implement the chosen models.

Chapter 5 provides the recommendations.

2 Review of the current QSF

2.1 The current QSF

2.1.1 Origin

The 1999 Beijing Congress decided that terminal dues payments should reflect the quality of service performance of member participants in the destination with the overall aim to improve letter-post mail service quality and to strengthen the worldwide postal network (resolution C 46/1999). To this end, it was decided to move towards a country-specific terminal dues system that is cost-based and linked to the quality of service. The new terminal dues system comprised the Quality of Service Fund for the benefit of the developing countries (DCs). The fund finances projects aimed at improving the quality of inbound letter-mail flows, making national postal services and international mail flows more speedy, reliable and secure. The evolution of the Terminal Dues System and the link to the QSF are explained in Box 1.

Box 1: Evolution of the Terminal Dues System and link to the QSF

Before 1929: no terminal dues charges -“every letter sent requires a reply”; imbalance recognized 1929 in London.

1969: The Tokyo Congress adopted the principle that terminal dues for the delivery of international letter post items should be related to either costs of service or domestic postage rates.

1989: Introduction of a two-tiered terminal dues system that protects industrialized countries against remail competition without rationalizing terminal dues rates.

1999: Separate terminal dues for industrialized countries and developing countries. **Introduction of the QSF** with a 7.5% surcharge on terminal dues paid to developing countries, to allow financing projects to increase quality of service in developing countries. Future terminal dues should approach more closely the costs of the services rendered.

2004: The terminal dues system for industrialized countries became the “target system” and the terminal dues system for developing countries became the “transitional system”. A new country classification system for QSF payments and a new structure of payments were approved.

2008: Moving further towards a terminal dues system related to domestic postage. DOs shall charge each other terminal dues that are related to the 20-gram domestic postage rate for letter post items exchanged within the target system.

2.1.2 Guiding principles and goals

When deciding the Quality of service fund, the Beijing Congress also approved the principles governing the Quality of Service Fund, namely:

- the QSF would be used to finance projects aimed at improving universal service quality in developing countries;
- these projects would have to be linked to one of the following areas: access to services, speed and reliability, security, liability and handling of inquiries, customer satisfaction or design and implementation of cost accounting systems.

According to the QSF's deed of trust, the QSF "is a temporary fund the sole purpose of which is to help countries improve the quality of the universal postal service during a transitional period, leading up to the adoption by the UPU of a new terminal dues system based on country-specific rates."⁵ The fund is used to support projects aimed at improving the quality of the universal postal service focusing on letter-post services, in particular the speed, reliability and security of international mail exchanges.

2.1.3 Governance and management

In accordance with the policies and provisions defined in the Deed of Trust and its supplemental agreements (Statutes of the QSF), the Project Management Manual (PMM), and the Financial Management Manual (FMM), the following main parties are involved in the governance and management of the QSF:

- Postal Operations Council;
- Board of Trustees;
- International Bureau with QSF unit.

The **Postal Operations Council (POC)** is the governing board of the QSF. The POC elects the members of the Board of Trustees and approves the Project Management Manual, and the Financial Management Manual proposed by the Board of Trustees. The POC monitors the work of the Trustees, which reports on their activities and the status of the trust to POC, and take note of audits of project results. Furthermore the POC is the appeals avenue related to decisions by the Board of Trustees.

The QSF funds is administered by a **Board of Trustees (BoT)**. The QSF Board of Trustees is responsible for the approval of the projects submitted, audit and evaluation of project implementation and conduct, and monitoring of the management and administration of the Secretariat as well as investment and management of trust funds through a professional fund manager or managers. The nine trustees are elected by and report to the POC for a renewable three-year term. One third of the Board of Trustees' membership are renewed each year. Two members shall be elected from among the countries of Western Europe, two from the countries of Africa and one from the countries of Eastern Europe. Two members are appointed from the Western Hemisphere, and two from the countries of the Asia and Pacific region. In each of these two regions, one member comes from an industrialized country (IC) and the other from a developing country (DC).

The **International Bureau (IB)** of the UPU serves as the Secretariat of the Board of Trustees. The Secretariat (**QSF unit / QSF team**) is responsible for receiving the project proposals, undertaking a preliminary verification and providing the Board with comments and responses as requested. It monitors the timely submission of the project reports and gives the Board its opinion on the reports. It supports applicants in clarifying project proposals and the corresponding documentation and instructs the UPU's Regional Project Coordinators to support applicants in preparing project proposals and assist in the implementation of projects. Furthermore, the QSF Team is responsible for approving project change requests as authorized by the BoT and supports the POC activities relating to designated operators' appeals concerning BoT.

⁵ http://www.upu.int/uploads/tx_sbdownloader/statutesQualityOfServiceFundDeedOfTrustQsfStatutesEn.pdf

2.1.4 The financial model and its history

Projects to be supported by the QSF are carried out in developing countries under the financial responsibility of DOs. Project finance is subject to strict rules as governed in the QSF project manual. As a principle, all projects and activities should include the active involvement (in cash and/or kind) of the designated operator(s) submitting the application (Art. 3.2). The kind of costs that have to be borne by the beneficiaries are specified explicitly (Art. 8).

Initially, a 7.5% surcharge on the terminal dues rate of 3.427 SDR per kg was applied to mail flows from industrialized to developing countries in order to stock the QSF.

In 2004, the Bucharest Congress revised the terminal dues; the terminal dues system for ICs became the “target system” and the terminal dues for DCs the “transitional system”. Terminal dues in the transitional system are based on a single flat rate per kg, whereas terminal dues in the target system for ICs are pegged to domestic postage rates. For QSF payments, a new country classification system was adopted based on the classification used in the United Nations Development Program (UNDP).

- Industrialized countries
- net contributor countries (NCC) in the UNDP (where gross national income per capita is higher than USD 4'700); further subdivided into “not quite NCCs” (that receive less than USD 65'000 in QSF payments) and “real NCCs” (those that receive more than USD 65'000 in QSF payments).
- middle income countries
- low income countries or LDCs (least developed countries).

All countries except LDCs paid 16.5 % of terminal dues to LDCs. ICs paid 8% of terminal dues to middle income countries and to “not quite NCCs” 1% to “real NCCs”.

The Geneva congress in 2008 set the framework of a target system which all countries should join in 2017 and decided to adopt a new methodology of classification for terminal dues and Quality of Service Fund (QSF) purposes. The classification in five groups was based on the value of the postal development indicator, determined as a weighted combination of the gross national income per capita (75%) and the normal average cost per letter (25%). The QSF payments were fixed at 8% for Group 3, 10% for Group 4 and 20% for Group 5 (least developed countries).

In 2012, the Doha Congress decided to update the methodology of classification. In addition to the postal development index, the date of joining the target system was considered. Countries remain classified into five groups:

- G1 – countries in the Target System before and as from 2010
- G2 – countries in the Target System as from 2012
- G3 – remaining countries
- G4 – countries not in Groups 1, 2 and 5, with a PDI below the maximum PDI of Group 5
- G5 – Least Developed Countries (LDCs)

QSF payments now range from 2%, payable by group 2 countries to group 3 countries, to 20% payable to group 5 countries. Countries in the target system do not receive any QSF payments. Payments to group 3 countries will decrease from 8% to 6% for group 1 countries and will end for group 2 countries in 2016. Table 3 summarizes the QSF surcharges applicable from 2014-15 and 2016-17.

Table 3: QSF surcharges per country group 2014-2015 (2016-2017)

from\to	G1	G2	G3	G4	G5
G1	-	-	8% (6%)	10%	20%
G2	-	-	2% (0%)	10%	20%
G3	-	-	-	-	20%
G4	-	-	-	-	20%
G5	-	-	-	-	-

Source: Swiss Economics based on UPU (2015)

2.2 Review of processes

Four processes are specified in the QSF Manuals:

- drafting, submitting and consideration of QSF project proposals
- project monitoring
- project evaluation, and
- QSF billing.

Below the process are described and evaluated based on the QSF documentation, QSF project database and answers for part A of the survey.

2.2.1 Project proposal and approval

Process description

The responsibility for the development of project proposals rests with the designated operator applying for funding. However, designated operators are at liberty to utilize the expertise of their Regional Project Coordinator, Restricted Union or a consultancy firm to assist them in their project design and proposal. The designated operator nominates a QSF Coordinator, authorized to negotiate with the QSF Team and the Board on all QSF matters.

Project proposals are submitted by using the official QSF form, which is provided by the QSF Team. The project proposal includes the aim, objectives, expected results and key performance indicators (KPI's) of the projects, a risk assessment, a description of the current situation, a section on the methodology as central part of the proposal, and a financial proposal. In the methodology section the designated operator describes the general method being used, a tasks/work plan, the project control, and shows the structure of the project team.

Project proposals are submitted to the QSF Team. They are subject to a preliminary verification by the QSF Team. The QSF Team checks the project proposals for completeness and compliance with the applicable rules. Applicant designated operators are asked to provide information where it is missing, inaccurate or incomplete. If the information requested by the QSF Team are not received within four weeks, consideration of the proposal will be deferred to the following Board meeting. When the QSF Team considers the proposal complete, it is submitted to the Board for final verification and approval.

The Board considers the project proposal and, if available, the quality development plan (QDP) answers to the QSF Team's questions and any other comments related to the project submitted by the QSF Team. The Board verifies whether

- the project description is clear and the project objectives unambiguous;

- the objective complies with the fundamental objectives of the QSF;
- the project proposal is based on an assessment of the current situation by the designated operator concerned;
- the QSF funding requirements are fulfilled.

Once a project proposal has been approved by the Board, the designated operator is informed within 30 days. If the Board finds itself unable to approve a project proposal, “it shall postpone its decision and return the proposal to the designated operator, stating the reasons and giving recommendations regarding reformulation and resubmission of the application.” In the case of a rejection the reasons for such a decision must be transparent and comprehensible to the designated operator.

If a designated operator disagrees with the Board's decision regarding the conditional approval or non-approval of that proposal, the designated operator may lodge an appeal with the Postal Operations Council or its mandated body.

Evaluation

Since the start of the QSF 789 project proposals were submitted and registered in the project database at the IB. About one out of five proposals (159) has not led to a project. Most of these proposals were withdrawn by the applicant (98), whereas 27 were refused by the BoT.

For each approved project, the proposal submission date and the project approval date is registered in the QSF project database. **Table 4** shows average duration of decisions on project proposals. The table reveals that the BoT approved a project in average about half a year after the proposal was submitted to the QSF Team. The length of the process is driven by the time needed for the preliminary verification of the proposals by the QSF team and the limited number of BoT meetings (4 per year).

Table 4: Average duration of decisions

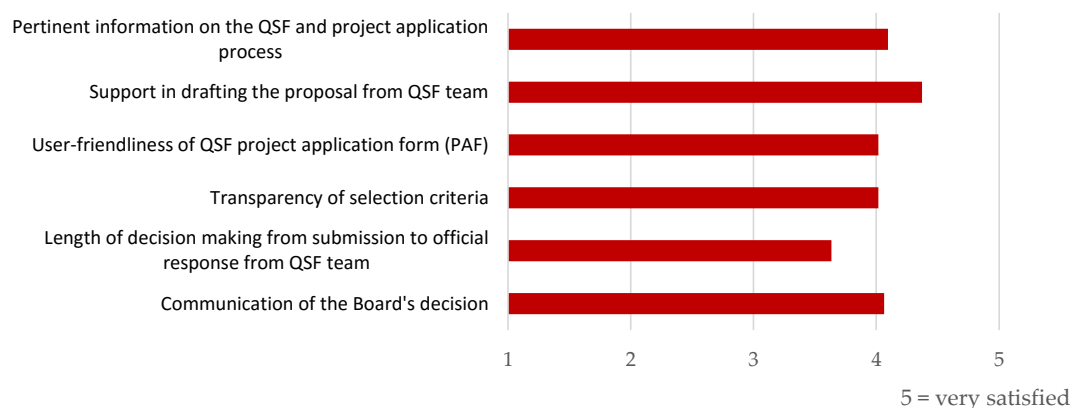
	Number of Project proposals approved	Duration of decision (Days)
Global	12	206.2
Regional	16	86.1
Bilateral (“joint”)	2	71
National	571	190.2
Total	601	187.4

Source: Swiss Economics based on UPU data

When asked about their satisfaction with the handling of QSF project proposals (Question 4), respondents from beneficiary DOs indicate a high average level of satisfaction, as shown in **Figure 4**. Thereby, respondents are particularly satisfied with the support of the QSF team in drafting the proposal. Slightly less satisfaction is revealed with the length of decision making process. However, a value of 3.8 still indicates that the DOs are satisfied.

Figure 4: Evaluation of handling project proposals

How do you assess the process of drafting, submitting and consideration of a QSF project proposal?



Source: Swiss Economics

Even if the handling of project proposals is evaluated very well, some DOs mentioned potential improvements for this process. To help DOs in the process of submitting proposals, standard forms for the same type of projects, which should include common KPIs are suggested.

2.2.2 Project monitoring and approval

Process description

During the project, the designated operator has to provide different types of reports (inception report, interim report and final report) to enable the QSF Team to keep track of the project. The inception report has to be submitted immediately at the start of the project, interim reports are to be submitted according to the project notification.

Projects must be carried out in compliance with the project plans and objectives as described in the approved project proposal. Deviations from or changes to the project, in particular its objectives, must be submitted in writing by means of a project change request (PCR) and must have the approval of the Board. If any problems occur during the execution of the project in connection with personnel resources, the time schedule or the budget, the designated operator responsible for the project is obliged to report these problems to the Board via the QSF Team.

Within six weeks of the conclusion of the project activities, the final report has to be submitted. The final report includes an overall budget report as well as measures of the KPIs.

Upon receipt of the final report, the BoT reviews and discusses it during its next regular meeting. In case of unanimous acceptance by the Board, its decision is notified by the QSF Team. If the Board raises any objections to the final report, consultation with the designated operator responsible for the project is required. Even in the case of unanimous acceptance, the Board may require designated operators to provide further information on their respective projects through a follow-up report.

Evaluation

For each approved and completed project in the QSF project data base the BoT’s unconditional approval date of the final report is known. **Table 5** shows that projects last in average almost three years. Regional projects take two times longer than global projects.

As the date at which the final report is approved by the BoT is defined as the end of a project, it is not clear at which stage of the process the differences occur. For example, limited incentives to provide the relevant information for the approval of the final report can cause relevant delays in formally completing the projects.

Table 5: Average length of projects

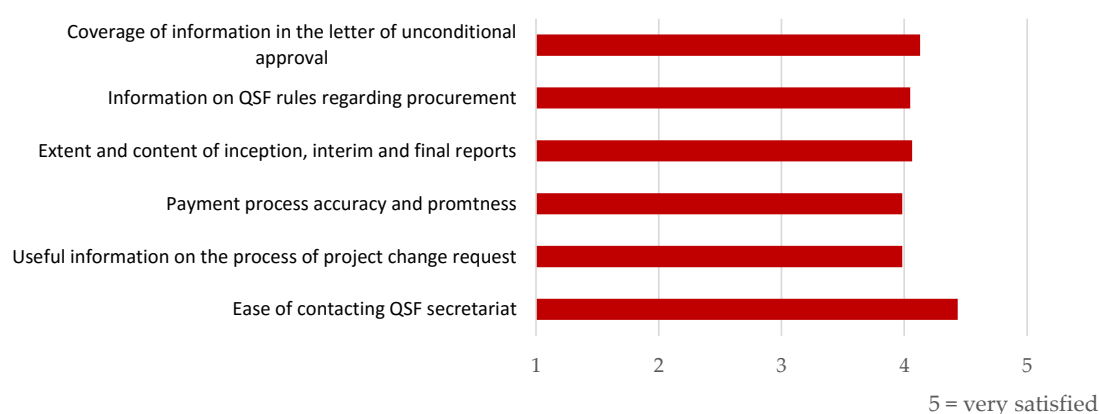
	Number of approved projects	Number of completed projects	Duration of projects (days)
Global	12	7	771.6
Regional	16	13	1525.8
Bilateral (“joint”)	2	2	409.5
National	571	446	925.5
Total	601	468	937.6

Source: Swiss Economics based on UPU data

Figure 5 shows how beneficiary DOs assess the process of project monitoring (Question 5). There is no dimension in which the average rating is significantly below four, which indicates a high level of satisfaction. Again there is particular high satisfaction related with the work of the QSF secretariat.

Figure 5: Assessment of project monitoring

How do you assess the process of project monitoring?



Source: Swiss Economics

2.2.3 Project evaluation

Process description

The first evaluation of the results of a project is based on the final report by the BoT. In addition, in order to ensure sustained improvement in the quality of service, monitoring of results during

a period of up to two years or more after completion should reveal whether lasting quality of service has been achieved.

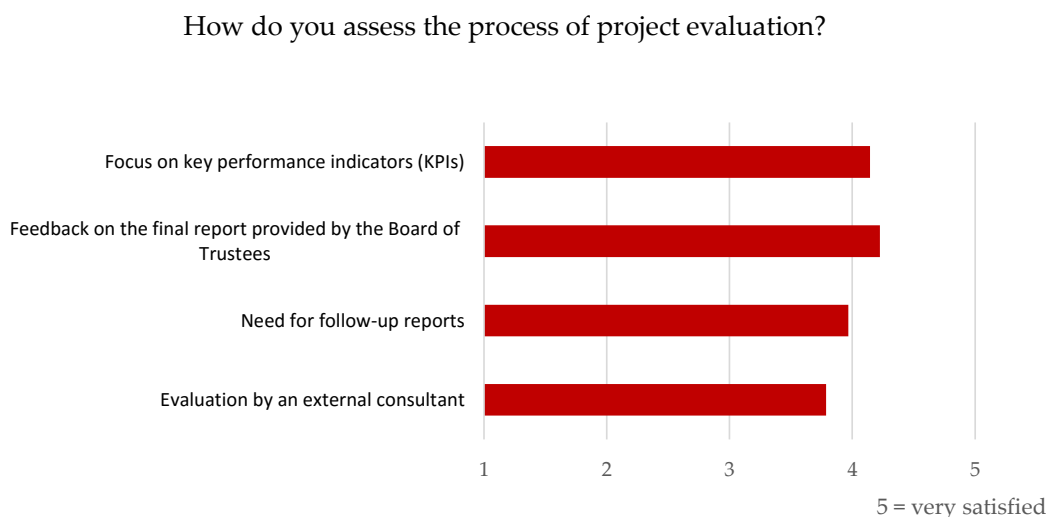
A project implementation review may be carried out, subject to a Board decision. The purpose of a project review is to determine whether the quality improvement pursued by the project has actually been achieved or is still being achieved. The reviews are performed at the location where the project was executed, and should, in principle, not exceed two working days. For this purpose the Board, in consultation with the QSF Team, commission qualified experts to undertake the project implementation review. The project implementation review can involve management information reviews, testing, customer and staff interviews and surveys, as well as site visits or inspections to determine the successful achievement of sustainable quality of service improvement.

The evaluation report is submitted to the QSF Team and a copy thereof sent to the DO. The report will be treated as confidential by all parties involved. Finally, the QSF Team will submit the project implementation review report to the Board with its comments and recommendations. The Board may require further information on through a follow-up report.

Evaluation

The process of project evaluation is again well rated (Question 6), cf. **Figure 6**. The BoT receives good marks for its feedback on final reports. Below average, but still satisfying remarks receives the evaluation by external consultants.

Figure 6: Assessment of project evaluation



Source: Swiss Economics

According to the survey less than 40% of DOs assess the timing of the evaluation by an external consultant in relation to the approval of the final report as very beneficial or beneficial (Question 7). Improvements suggested by the DOs (Question 8) point toward a reduction of the time span between approval of the final report and the evaluation by external consultants.

2.2.4 Billing and payments

Process description

The amount of the mandatory contributions to be billed shall be determined in accordance with the rates and provisions set out in the UPU Convention. The basic document for billing contributions to the QSF is form CN 64bis, accepted by the Settlor. This form is part of the Terminal Dues accounting.

The billing process contains the following steps: Firstly, Creditors complete form CN 61 for terminal dues; this form is transmitted to the Settlor, at least 12 months after the end of the year. The Settlers have three months from the date of receipt to accept, amend or dispute the CN 61 form. Once this form is accepted the Creditors prepare a separate statement (CN 64) for terminal dues. The Settlers shall have one month to accept, amend or dispute the CN 64 form. The Creditors and sometimes also the Settlers send a copy of the accepted CN 64 and CN 61 forms to the IB. On receipt of the CN 64 form, the QSF Team calculates the corresponding contributions to the QSF, completes the CN 64bis form and sends it to the Settlor for acceptance.

The Settlers have one month from the date of dispatch to accept or amend the CN 64bis form. Once the CN 64bis form has been accepted, the International Bureau prepares bills for the amounts owed and sends them to the Settlers. Time allowed for payment is six weeks.

Evaluation

The process of QSF billing is evaluated as good, although not as positive as the other processes. Most critically appears the administrative work involved in the QSF billing.

Figure 7: Assessment of billing process



Source: Swiss Economics

It is mentioned by the respondents that under the current process, the time taken in settling the bill is just too long and the billing process should be completed within a year from the considered period. Therefore it is suggested to allow submission of the CN64bis forms by electronic means or to improve the process by using a web-based tool.

2.2.5 Summary

Four processes have been evaluated in the survey carried out for the study: The process of drafting, submitting and consideration of a QSF project proposal, the process of project monitoring, the process of project evaluation and the process of QSF billing.

In summary we observe a high level of satisfaction with most dimensions of QSF processes. The length of decision making and the evaluation by an external consultant are the most critical points in the process.

Potential improvements are suggested by method of fast track approvals, more frequent meetings of the BoT and streamlining the final evaluation part.

2.3 Review of projects funded by the QSF

The review of projects funded by the QSF is based on three different sources:

- The QSF project database contains information on the nature of proposals, distribution of budgets as well as types of projects;
- Project reviews include specific information on the output of a project, evaluated by an external consultant;
- And a last source the self-assessment that was part of our survey.

2.3.1 Overview of funded projects

Since the start of the QSF, 789 project proposals were submitted and registered in the project database at the IB. **Table 6** provides an overview.

Most initiatives (755) are proposals for national projects, whereas proposals for global (14), regional (18) and 2 joint projects account for less than 5% of all proposals.

About one out of five proposals (159) have not led to a project, as the proposal was refused or withdrawn. According to the survey (Questions 11 and 13), in average 5.4 proposals were submitted per DO. Thereof 5.0 projects were approved, which amounts to an acceptance rate of 92%. When asked for the reasons of non-approval (Question 15), respondents mentioned too low accordance with the relevant criteria or a lack of relevant information in the proposal.

Table 6: Project budgets

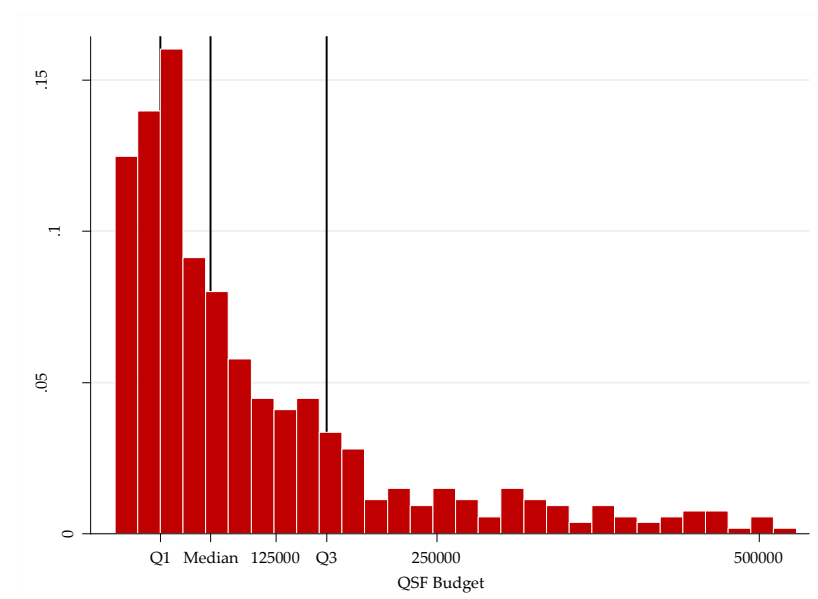
Project scope	Proposals submitted	Projects	Total QSF Budget	Min. Budget	Max. Budget	Average Budget
Global	14	12	12'229'910	26'280	2'865'211	1'019'159
Regional	18	16	2'336'622	25'723	720'346	146'039
Bilateral ("joint")	2	2	158'204	39'200	119'004	79'102
National	755	571	96'842'435	986	3'231'107	169'602
Total	789	601	111'567'171	986	3'231'107	185'636

Source: Swiss Economics based on QSF project database

While 29 proposals are in the approval process, 601 projects financed by the QSF were started in the period 2001 until May 2015. As expected from the number of proposals, more than 95% of all projects are of national scope.

QSF budgets are in a range from USD 986 to more than USD 3.2m. Even if the project related to the biggest QSF budget is a national one, average budgets of global projects are six times larger than the average budget of national projects. The distribution of QSF budgets is shown in **Figure 8**, in which the first, second and third quartile are represent by black lines. It stands out that the approved QSF budget is less than USD 36'000 for 25% of national projects and less than USD 165'000 for 75%. For 10% of projects the budget is greater than USD 640'000.

Figure 8: Distribution of QSF Budgets in USD for national projects



Source: Swiss Economics based on QSF project database

2.3.2 Distribution by country groups

We also observe differences in the budgets as well as in the number of projects by considering the classification of countries and territories. As shown in **Table 7**, group 3 countries have submitted most projects (158), followed by group 4 and 5 with 155 and 138 respectively. Group 5 countries spent less than 10% of the total QSF budget to finance their projects, whereas group 3 countries accounted more than 44% percent of the total budget. These differences also result from significant differences in the average budget per project.

For countries classified in group 1.2, 2 or 4, the average budget per project does not significantly deviate from the total average budget per project, which is slightly less than USD 170'000. On the other hand projects in group 3 countries have an average budget of more than USD 270'000, which is four times as much the average budget of projects in group 5 countries.

Table 7: Projects and QSF Budgets in USD by Groups of country

Country group	Projects	Total QSF Budget	Min. budget	Max. Budget	Average Budget
1.2	29	5'378'186	3'400	1'095'243	185'455
2	91	15'041'485	1'267	1'266'431	165'291
3	158	43'426'767	1'468	3'231'107	274'853

4	155	23'535'606	986	2'272'540	151'843
5	138	9'460'391	1'135	334'573	68'554
Total	571	96'842'435	986	3'231'107	169'601

Source: Swiss Economics based on QSF project database

2.3.3 Nature of projects

QSF projects are classified in 22 different categories by the IB. Typical projects include modernization of infrastructure, the improvement and installation of scanning machines or systems, participation in the UPU continuous testing of international service quality, automatization of processes, installation of tracking systems or the procurement of vehicles. As some categories are not used on a regular basis, and others are of similar nature, we aggregate the 22 categories to nine categories as shown in **Table 8**.

Table 8: Classification of projects

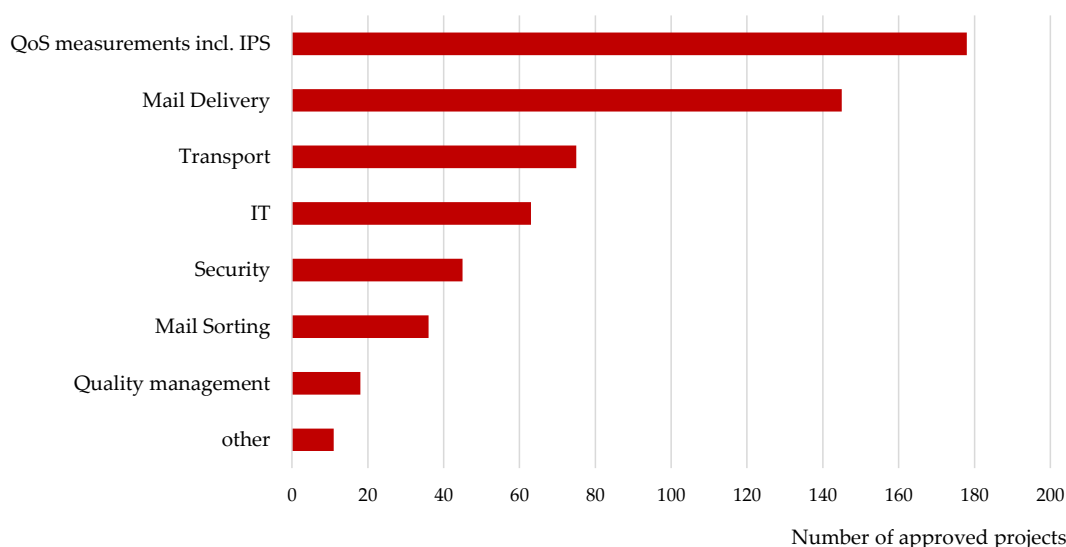
Category	IB project class	Number of projects
Mail Delivery	Mail delivery (home), Mail delivery (PO Box), Mail delivery (other)/collection	145
Transport	Transport and conveyance	75
Security	Security (CCTV), Security (MARIA/eMARIA), Security (X rays), Security (other)	45
Quality of service measurements incl. IPS⁶	Quality of service (UPU) measurements, Quality of service (diagnostic) measure, Quality of service (other) measurements, IPS, IPS Light, Tracking systems	178
Quality management	QDP (Quality Development Plan), Quality management/certification	18
Mail Sorting	Reorganization of exchange/sorting office, Postcodes/addressing systems	36
IT	Counter computerization/modernization, Information systems	63
Other	Other, Costs systems	11

Source: Swiss Economics

As illustrated in **Figure 9**, the most important category was quality of service measurements including IPS with 178 projects (amounting to a share of 31% of projects), followed by mail delivery (26%), transport (13%), and IT (11%), each with more than 50 projects.

⁶ The International Postal System (IPS) is an integrated international mail management application developed by the Postal Technology Centre of the UPU in cooperation with several postal enterprises in 1995. The System combines mail processing, operational management and EDI messaging into one application.

Figure 9: Distribution of projects along categories



Source: Swiss Economics

There exist some interesting differences between country groups: Whereas projects related to quality of service measurements other than IPS are more important for group 2 and 3 countries, projects related to IPS and transport are of particular importance for group 4 and 5 countries.

The difference may stem from higher costs of projects that are selected by group 2 and 3 countries. Looking at the range of project budgets per project category from **Table 9**, all categories should be feasible to group 4 or 5 countries. Hence, it seems that the choice of a specific project does not primarily depend on the QSF Budgets available. If the choice is not determined by the budget, the differences among country groups may reflect differences in the development of DOs, leading to different priorities.

Table 9: QSF Budgets by project category

Classification of projects	Projects	Total QSF Budget	Min. budget	Max. Budget	Average Budget
Mail Delivery	145	19'782'383	3'400	1'800'000	136'430
Transport	75	16'550'739	17'450	2'932'888	220'677
Security	45	6'236'401	3'600	529'033	138'587
QoS measurements incl. IPS	178	26'442'552	1'135	1'784'031	148'554
Quality management	18	2'217'045	10'000	1'095'243	123'169
Mail Sorting	36	9'747'340	9'450	2'400'000	270'759
IT	63	14'439'342	986	3'231'107	229'196
Other	11	1'426'634	43'948	507'352	129'694
Total	571	96'842'435	986	3'231'107	169'601

Source: Swiss Economics based on UPU data

2.3.4 Performance of projects – external evaluation

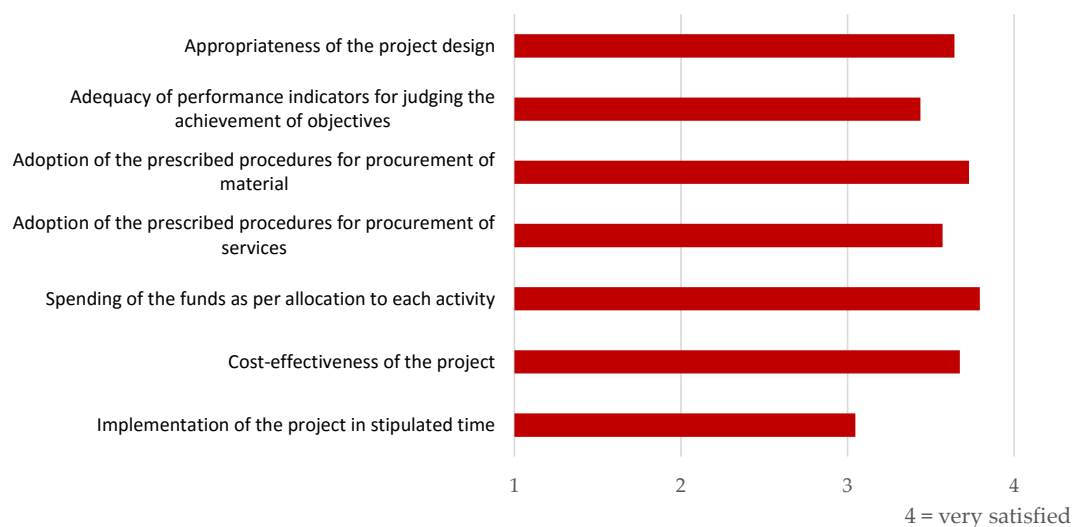
Have these projects led to measurable improvements of the quality of the international postal network?

To evaluate the output of the projects financed by the QSF, every project is reviewed by qualified expert commissioned by the BoT (see also Section 2.2.3). The project reviews are subject to approval by the BoT. The purpose of a project review is to determine whether the quality improvement pursued by the project has actually been achieved or can be achieved.

The results of the not entirely standardized reviews are not entered into the project database by the QSF team. The evaluation below hence results from an analysis of 50 randomly chosen projects (the sample is described in more detail in Appendix I). The analysis focuses on the numerical ratings, which should be part of the evaluation report included in Appendix IV. The numerical evaluation is lacking in eight of the evaluation reports. As the numerical evaluation is not a fully standardized process, results must be interpreted carefully, as the meaning is not clear a priori.

The external consultants are in average satisfied or very satisfied with the implementation of the projects (**Figure 10**). Only 12 out of 261 marks were unsatisfactory. For example, the reviewers consider the projects as cost effective. The most critical point is the implementation of the project in stipulated time, even if an average of 3.1 still indicates that the external consultants are satisfied.

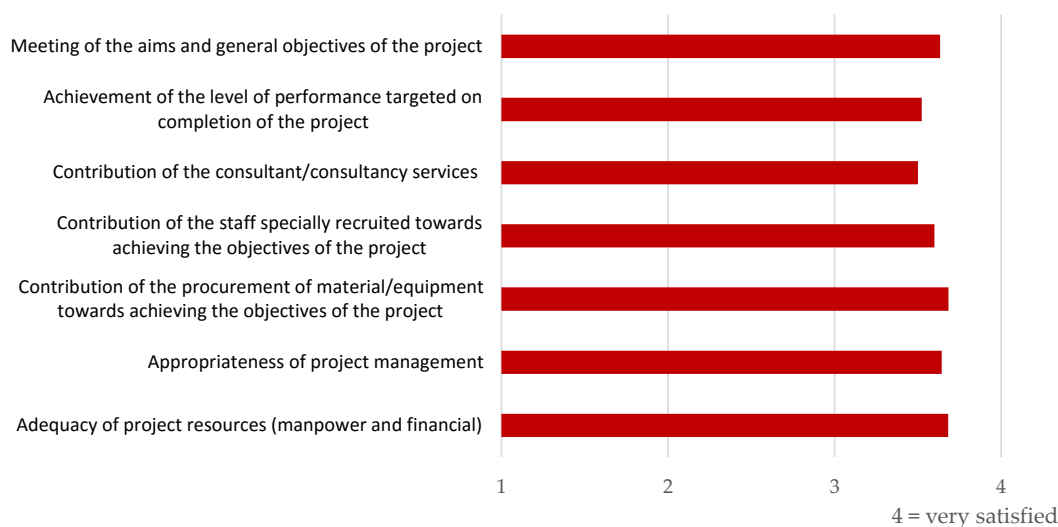
Figure 10: External evaluation of project implementation



Source: Swiss Economics based on evaluation reports

The second part of the external evaluation deals with the performance of the projects. Average scores from the sample are shown in **Figure 11**. Again it is hard to find anything negative in the evaluation reports of the external consultants. The reviewers highly agree that the projects meet their aims and general objectives.

Figure 11: External evaluation of project performance



Source: Swiss Economics based on evaluation reports

In addition to project implementation and project performance, the external consultants evaluate the output of the projects with three specific questions in the evaluation report, also an overall rating is given. As shown in in **Figure 12**, external consultants consider the relevance for the postal development priorities for more than 80% of projects as highly satisfactory. The accordance of the project with QSF objectives is rated with an equally well result. Satisfaction with the sustainability of a project is developed to a slightly lesser extent. Overall, projects were evaluated highly satisfactory.

Figure 12: External evaluation of project outputs



Source: Swiss Economics based on evaluation reports

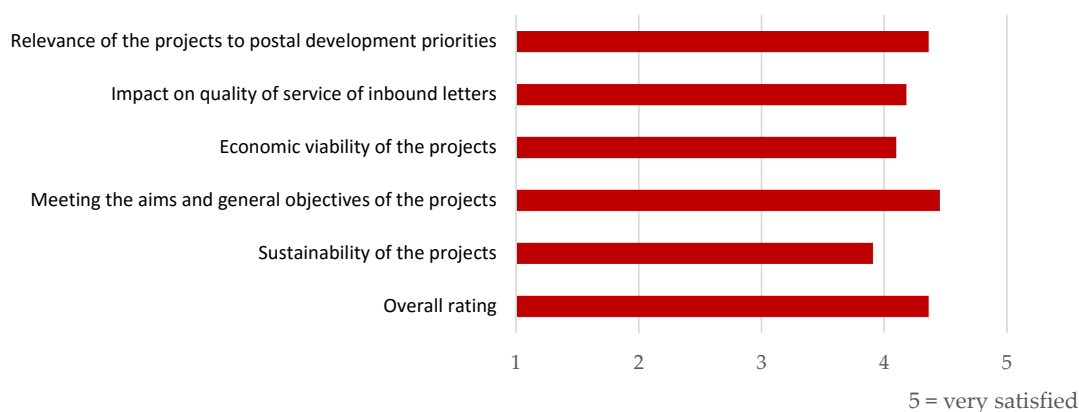
2.3.5 Performance of projects – self assessment

Overall Performance

To mirror these results with the perception from beneficiary DOs, the survey included questions on overall project performance. The self-assessment of the national QSF coordinators results in a similar picture, as shown in **Figure 13**. We observe a high level of satisfaction with QSF national projects. Differences between country groups are small. The achievement of project aims and the relevance of the funded project to postal development priorities inhibit particularly high scores.

Figure 13: Self-assessment of projects

How do you evaluate the QSF national projects implemented by your organization overall?



Source: Swiss Economics

Impact on GMS

As shown in Box 2, DOs needing help to finance their GMS participation costs are eligible for funding from a QSF global project.

In Question 17 of the survey, 27 DOs stated that the QSF enabled the introduction of the GMS by paying the equipment, funding the RFID installation and GMS test. For some DOs however GMS was still not affordable, as set up cost of GMS are above the QSF funds available. Other operators mentioned that operational cost, which cannot be financed by QSF funds, prevent them from implementing GMS.

Box 2: Link of QSF and GMS

GMS is an international quality measurement system managed by IB. External panelists exchange test items for the participating DOs. The test items, containing a radio frequency identification (RFID) transponder, are read by antennae installed at operational facilities where the postal traffic is received and processed.

The GMS system has been operational since 4 January 2010 with 21 participants. Further 45 designated operators applied for the GMS in 2010. In view of the “user pays” principle installed in the GMS, all the new participants are asked to agree to fund the necessary costs on a proportional basis.

One source to finance the implementation of the GMS are the disposable QSF funds. In order to assist postal operators to get the necessary funds from their QSF account, the GMS Team initialized a QSF global project that was approved by the BoT in April 2010.

Difference of local and global projects

As shown in Table 6, projects are not exclusively of national, local scope. When asked how local projects performed relative to regional and global projects (Question 19), beneficiary DOs noted that regional or global projects have been successful as well, but required higher efforts for coordination and control. On the other side some DOs mentioned positive effects of regional and global projects such as less administrative work or lower prices and better conditions from suppliers.

2.3.6 Summary

The review of projects funded by the QSF shows a great diversity of projects in terms of size (budgets) and nature of projects. Whereas no differences between country groups exists with respect to the nature of the projects, project budgets are substantially smaller for countries of group four and five.

The performance of the projects is assessed well in all dimensions, irrespective of the source of assessment (internal, external). The explanatory power of the external evaluation may be improved by standardized KPIs.

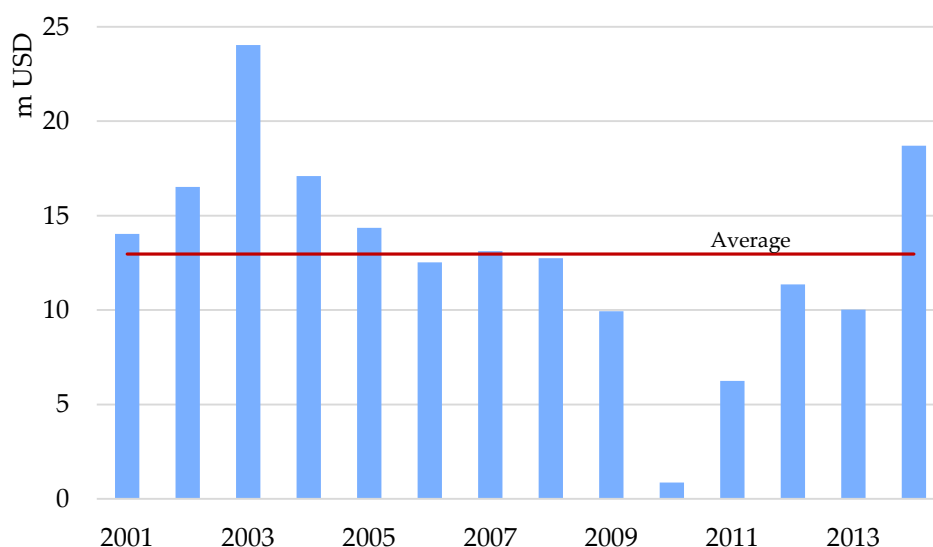
2.4 Impact of the QSF since its implementation

2.4.1 Fund financial flows, balance and performance

Financial flows

From 2001 to 2014, the settlors' contributions to the QSF accumulated to more than USD 180m., implying an average income of nearly USD 13m per year. However, as shown **Figure 14**, the income stream of the fund is volatile. After earning more than USD 24m in 2003, contributions to the fund declined until 2010. Even if payments to the fund increased afterwards, total income per year was still below average.⁷

Figure 14: Yearly contributions to the QSF in USD



Source: Swiss Economics based on UPU data (income statements and debtors accounts)

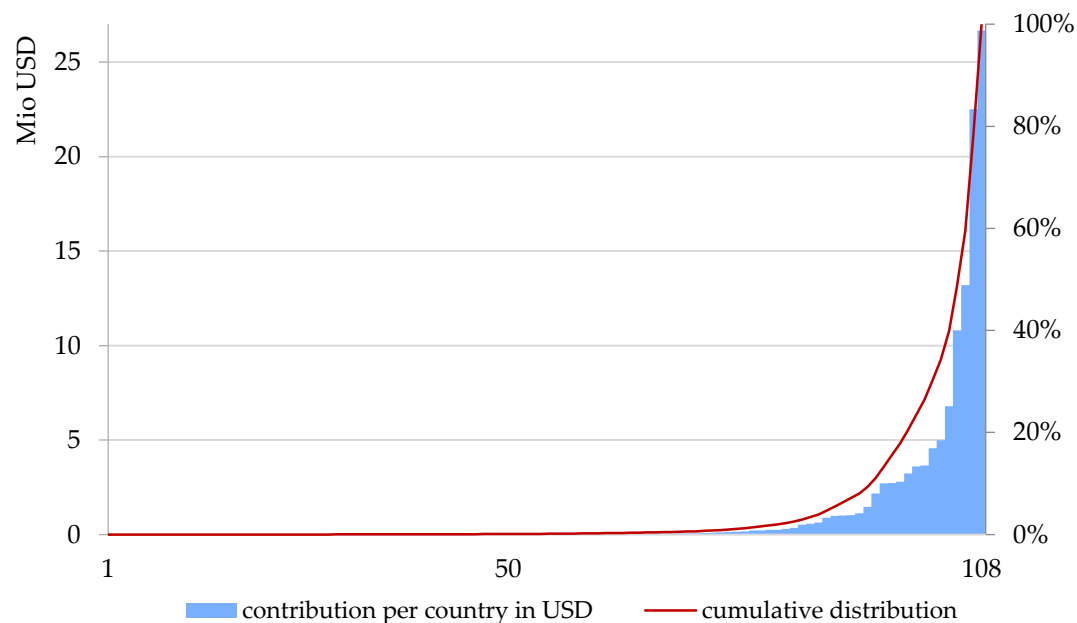
As shown in **Figure 15**, the contributions to the fund are unequally distributed between countries.⁸ Since 2001 108 countries have been contributing to the fund. 90 countries paid less than USD 1m each, which results in accumulated contribution of less than 6% for these countries. In

⁷ The drop in 2010 is due to the fact that expedited billing was abolished as of that billing year. Therefore, the only income for 2010 was 'Regular billing' – i.e. the settlement of the differences between expedited (i.e. advanced) billing and actual amounts due.

⁸ This figure and the following analysis are based on data for 2001, 2002, 2006-2009 and 2011-2014. No data available for the other years.

contrast, the remaining 18 countries are accountable for more than USD 115m in total. Only 14 countries are accountable for more than 90% of received payments since 2001.

Figure 15: Distribution of QSF contributions



Source: Swiss Economics based on UPU data

As shown in **Table 10**, credits received between 2008 and 2014 differ substantially between country groups. More than 50% of all credits have been received by group 3 countries (about four times more than group 5 countries). The relative difference is larger if average values are considered. Whereas a country of group five received USD 175'000 over a period of six years, group 3 countries received slightly less than USD 1m. The differences in received credits are mirrored in project expenditures.

About 14% of expenditures during the last six years are related to the administration of the fund and financial losses, summing up to more than USD 9.5m.⁹

Table 10: Beneficiary receipts and expenditures 2008-2014

	Received credits	Average per country	Expenditures for projects	Average per country	Expenses for fund administration and financial losses
1.2	270'022.41	20'770.95	4'153'746.06	319'518.93	200'310.40
2	4'037'932.80	175'562.30	9'317'585.48	405'112.41	1'017'045.37
3	37'937'338.10	998'351.00	26'912'650.77	708'227.65	5'103'809.84
4	18'066'746.20	354'902.07	16'314'984.68	317'224.96	1'997'862.48
5	8'989'851.60	175'981.25	4'943'984.35	95'448.75	1'203'858.40
Total	69'301'891.11	400'772.97	61'642'951.34	356'915.08	9'522'886.49

Source: Swiss Economics based on UPU data

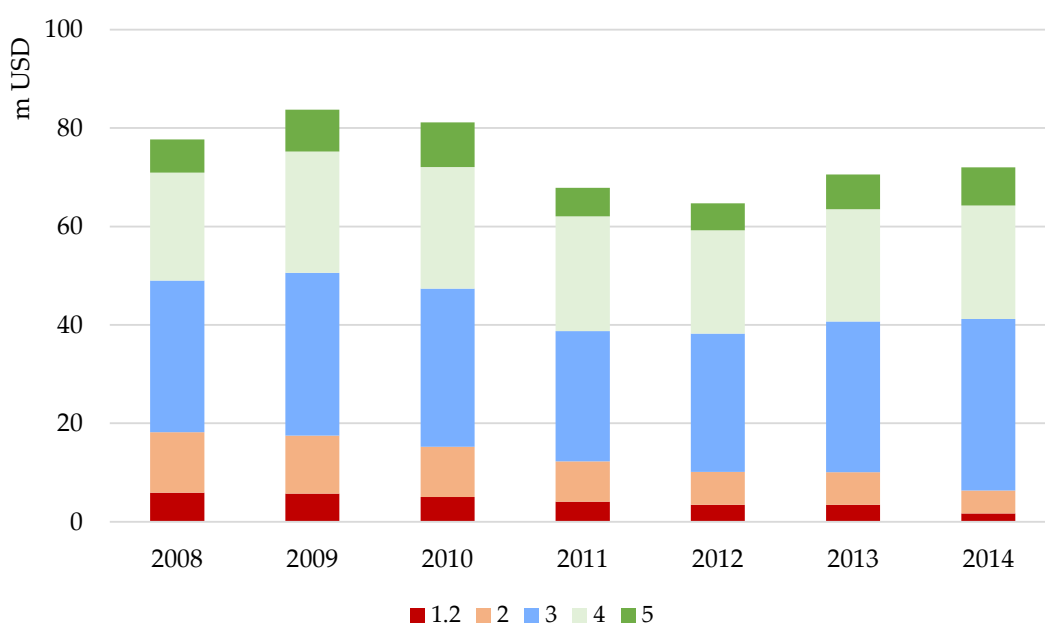
⁹ For more details on the financial performance of the fund, see page 37.

Balance

As spending does not coincide with funding, many countries have accumulated substantive balances over the time. In 2009, more than USD 80m were disposable for new projects. The biggest amount of available funds are accumulated by group 3 countries. More than USD 30m in 2008, representing slightly less than 40% of total volume, increased to narrow USD 35m in 2014, nearly 50% of total volume.

Given the fact that the minority of countries are net contributors to the QSF, it is interesting that according to question 23 of the survey, 36% of DOs agree or fully agree with the statement that “the QSF reaches a too high financial volume”. 21% disagree, whereas another 21% are neutral and 22% do not respond to this question. In their comments, the main contributors have raised their concerns that a high balance equals a competitive disadvantage to them, as the extra money paid for terminal dues does not translate into equal quality improvements.

Figure 16: Balance of the QSF



Source: Swiss Economics based on UPU data

Financial performance

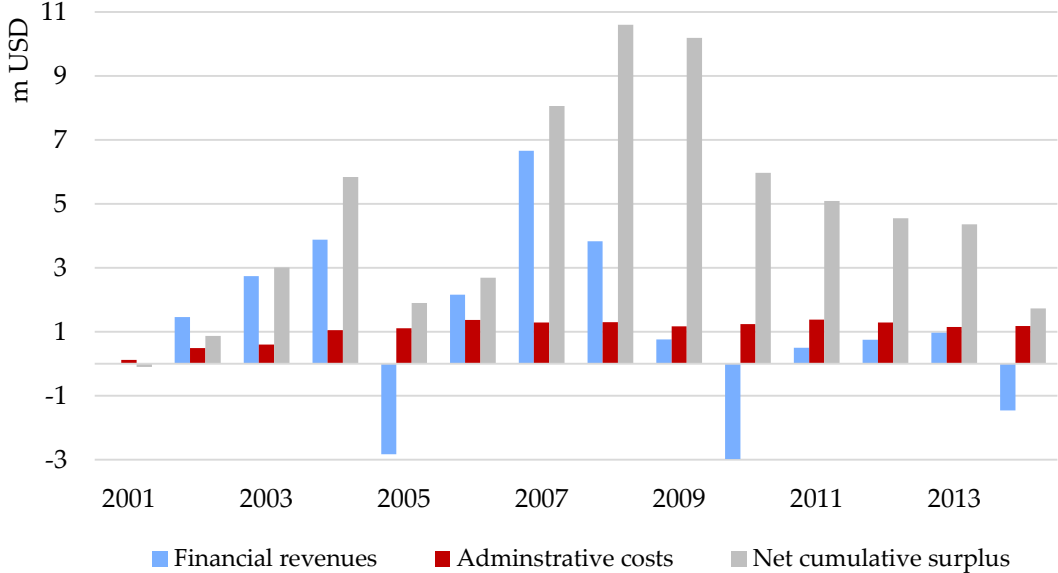
Analyzing the income statements of the QSF from 2001 to 2014, we find an increase in administrative costs¹⁰ from 2001 to 2006 to about USD 1.4m. Since then, administrative costs have never exceeded that amount and stood at 1.2m in 2014. The composition of the administrative costs is relatively constant over time. The largest position are labor costs accountable for a share between 92% and 95% after 2008. According to the QSF secretariat, labor costs include a share of about 12% to IB as support costs.

As illustrated in Figure 17, between 2001 and 2008 the administrative costs have been comfortably financed by revenues from financial assets; the net surplus (accumulated difference of rev-

¹⁰ Consisting of labor costs, travel expenses and costs for external consultants.

venues and administrative costs) accumulated to more than USD 10m. Since 2009, financial revenues are below USD 1m per year, resulting in a remaining net surplus of USD 1.7m over the lifetime of the fund.

Figure 17: Financial performance and administrative costs



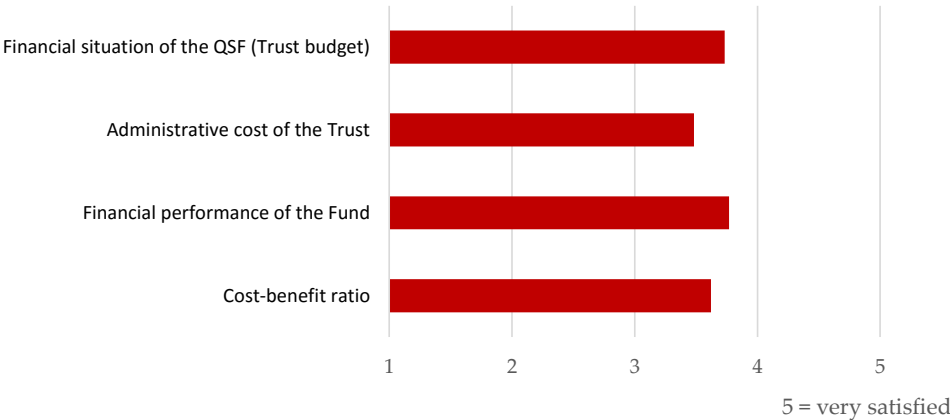
Source: Swiss Economics based on statements of income

Assessment of DOs

The DOs are satisfied with financial aspects of the QSF, as shown in Figure 18 of survey question 24. It is particularly remarkable that less than 1% of respondents are fully dissatisfied with the financial performance and the cost benefit ratio of the fund.

Figure 18: Assessment of financial topics

How do you assess the QSF with respect to the following topics ?



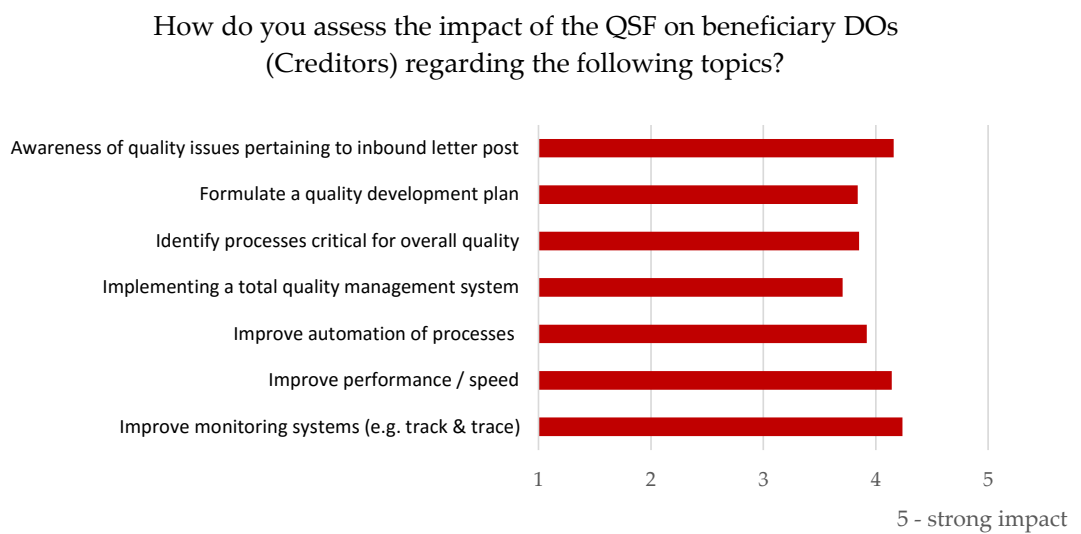
Source: Swiss Economics

2.4.2 Impact on beneficiary countries

As elaborated in section 2.3, both external reviewers and personnel from beneficiaries assess the projects funded by the QSF very positive. Based on survey question 20 and 21 it is possible to evaluate the overall impact of the funded projects on beneficiary DOs overall as perceived by the beneficiaries.

Figure 19 shows the results for selected quality aspects. The most substantial influence assigned to the QSF is in the dimensions of quality awareness, performance improvement, and improvement in monitoring systems. In all aspects, the impact of the QSF has been assessed more substantial for less developed countries.

Figure 19: Impact of the QSF on beneficiary DOs

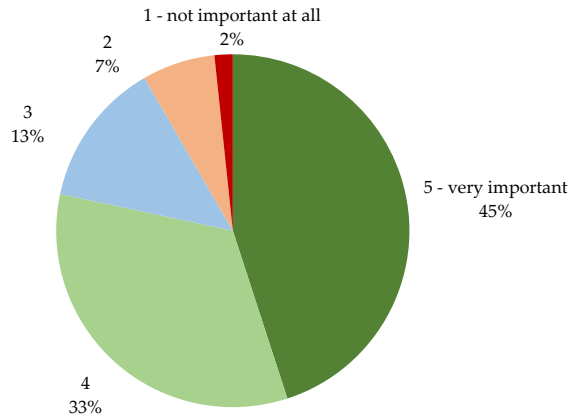


Source: Swiss Economics

To receive an overall impression on the impact of the QSF on the quality of service in beneficiary countries, the representatives of beneficiary DOs were asked to evaluate the importance of the QSF in increasing the quality of their organization since 2001. As shown in **Figure 20**, about 80% of respondents say that the QSF was important or very important in increasing the quality. The high mark was also confirmed by various specific comments to survey question 22, with various illustrations of how the project co-funded by the QSF helped increasing quality of service.

Figure 20: Support of the QSF to increase quality of service

Since 2001, how important has the support of the QSF been to increase quality of service in your organization?



Source: Swiss Economics

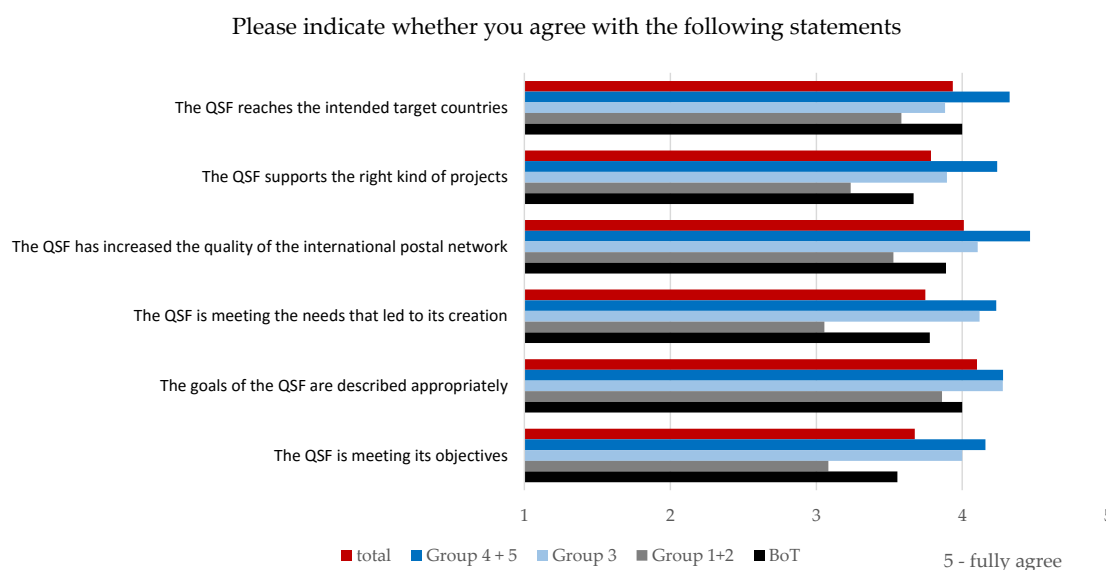
2.4.3 Overall impact of the QSF

In question 23 of the survey, DOs from beneficiary and contributing countries were asked about selected overall aspects of the QSF. It is possible to evaluate the answers differentiated along country groups. **Figure 19** shows the results along country groups and overall.

Overall, the countries highly agree that the QSF is reaching the intended countries, that it has increased the quality of the international postal network, and that the goals are described appropriately. They also agree that the right kind of projects are supported and that the fund is meeting its objectives.

On the level of country groups, there are however diverging assessments between different groups of countries. Whereas from the creditors perspective, the QSF reached its goals and increased the quality of the international postal network, Group 1 + 2 countries are more skeptical, while still not disagreeing.

Figure 21: Assessment of global impact



Source: Swiss Economics

In their open comments on the impact of the QSF (survey question 26), the QSF was generally considered a good, helpful and effective way to improve quality of international letter services. Over 56 responses, the following specific remarks can be highlighted (all mentioned several times):

- QSF helped undertaking projects which would normally not have been undertaken;
- Importance of continuation of the QSF;
- Insufficient or “not fast enough” use of funds impacting competitiveness of contributors;
- Support beneficiaries to use their funds / launch quality of service projects;
- Extension of the limited scope from letter post items (declining) to other items, for example parcels (growing);
- Extension of the limited scope from quality of service to network capabilities;
- Extension of focus from local projects to more global projects;
- Should foster quality development plans to give continuity to projects / focus on weakest points of network;
- Bottom up approach of QSF makes it difficult to measure international impact of QSF;
- Link to terminal dues system may direct funds to receiving countries who do not need them.

Many of these issues will be reconsidered in Section 3.

2.4.4 Summary

Over the years, the fund could accumulate substantial funds which may enable larger projects, but also hinder the competitiveness of the net contributors. The financial performance of the fund is ambivalent: Administrative costs have been financed by revenues from financial assets until 2008 only. Since then, administrative costs have exceeded financial revenues. But the overall net position over the lifetime of the fund is a surplus of USD 1.7m.

It is uncontested that the fund has had a clear positive and lasting impact on the quality of service of beneficiary DOs.

Overall, DOs are highly satisfied with the fund and its impact.

2.5 Conclusions

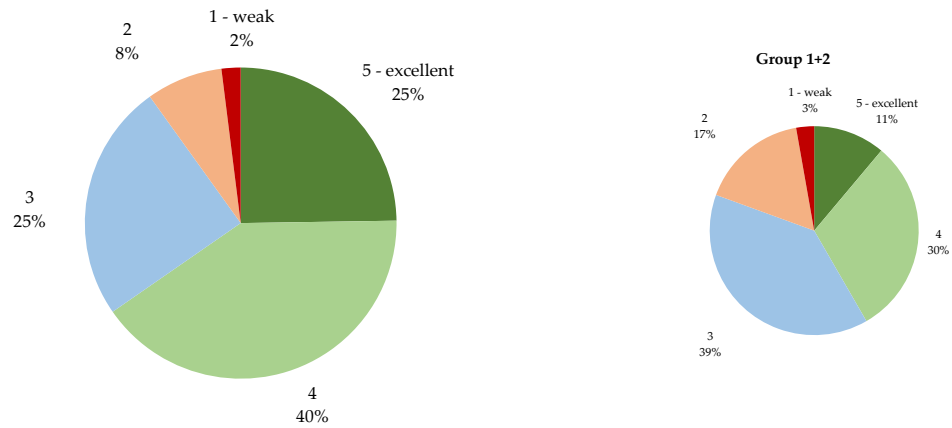
The review of the QSF produces the following findings:

- Until May 2015, 789 project proposals were submitted by beneficiary DOs. Thereof, 601 were approved and 468 were completed. The process of approval lasted about half a year, and an approved project was officially terminated after about three days.
- An evaluation of the four main processes (handling of proposals, project monitoring, evaluation, billing) reveals high satisfaction with most dimensions of the processes. Potential improvements relate to shortening the time necessary for project approvals and evaluation and to a reduction of the administrative burden in billing.
- The typical project funded by the QSF is of national scope, has a budget of USD 185'000, is run by a group 3 country, and relates to quality of service measurement including IPS. The smallest funded project had a budget of 986 USD, and the largest USD 3.2m. Whereas there are no differences among country groups with regards to the nature of projects (delivery-related, IPS, etc.), project budgets are substantially smaller for countries of group 4 and 5.
- Both external and internal evaluations of the funded projects acknowledge high cost effectiveness and fulfillment of project aims. The evaluations also attest high relevance for the postal development priorities, accordance of project focus with QSF objectives and a high overall rating. The QSF has clearly helped countries to introduce IPS and GMS. Regional and global projects require higher coordination and management efforts, these appear to perform equally well as local projects.
- In total, contributions since 1999 amount to more than USD 180m, thereof origin more than 90% from the 14 largest contributors. So far, projects amounting to about USD 110m have been approved or accepted by the BoT. The balance of beneficiary DOs stand at about USD 70m, with more than 50% of balances attributed to group 3 countries which have also received more than 50% of contributions compared to the other groups. Since 2008, the fund's yearly administration costs of about USD 1.4m have been higher than its financial revenues.
- DOs attribute the QSF a high positive impact on beneficiary DOs for quality of service issues. About 80% of DOs say that the QSF was important or very important in increasing quality of service. Although group 1 and 2 countries being somewhat more skeptical, the DOs highly agree that the QSF is reaching the intended countries and that it has increased the quality of the international postal network. They also largely agree that the right kind of projects are supported and that the fund is meeting its objectives.
- Contributing DOs are raising concerns that the continuing high QSF balance, which may help to stem larger projects, but can also be interpreted as an insufficient use of funds by beneficiaries, may impact the donor's competitiveness. Many DOs suggest an extension of the now limited scope of the QSF from quality of service of letter mail to parcels, other products, network capabilities or more global projects to improve the international postal network.

Overall, two out of three respondents rate the work of the QSF as excellent or good, as shown in **Figure 22** (answers from Question 25). Only 10% give negative ratings. The excellent ratings stem in particular from country groups 3 to 5. The net contributing countries Groups 1 and 2 are more skeptical, but still, 80% of respondents provide neutral or positive ratings.

Figure 22: Overall rating

What is your rating for the overall work of the QSF?



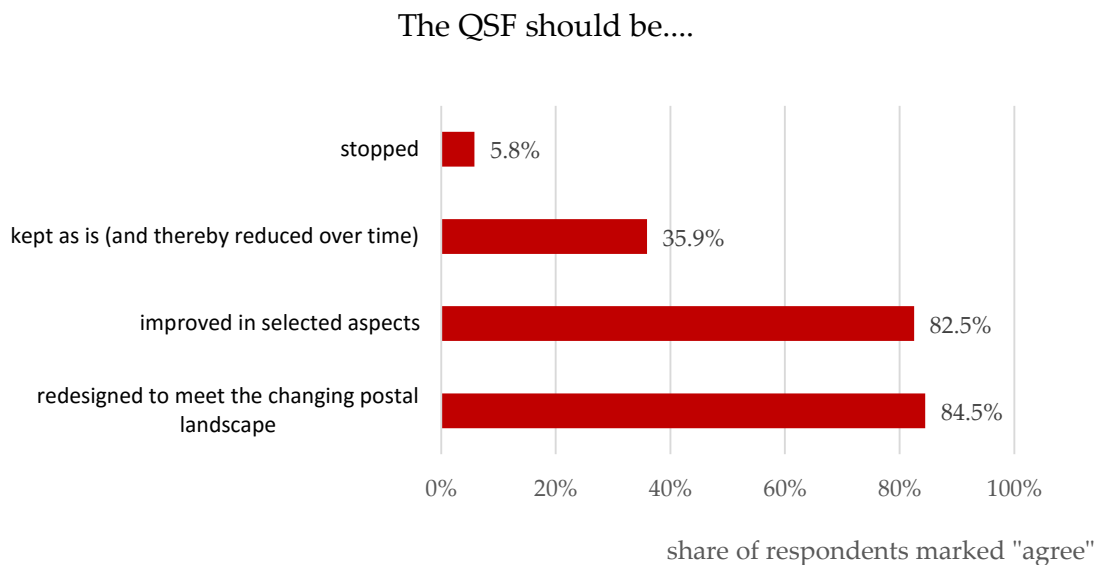
Source: Swiss Economics

The upcoming 2016 UPU Congress will have to address the question whether the QSF should be phased out, kept as is, improved in selected aspects or redesigned more thoroughly.

The results of the review suggest that the QSF has effectively achieved quality improvements of the international postal network. This leads to a first conclusion that **the QSF can continue** as long as the potential for further quality improvements of the international postal network is sufficiently large. Based on the identified room for improvements and future challenges, the QSF may however require some changes to its current form.

This conclusion is in line with the DO's view on how to go forward with the QSF. As shown in **Figure 23** of survey question 51, only 6% of respondents would agree to stop the QSF, whereas over 80% agree to either improve or redesign the QSF. The most progressive option of redesigning the QSF receives the highest acceptance rate (84.5%). Consequently, the remainder of the study develops and evaluates potential directions for the funds future.

Figure 23: Future direction of the QSF



Source: Swiss Economics

3 Options for change of the QSF

Based on a review of economic theory, other funds, market and regulatory development and the survey, the options at hand for redesigning the QSF are categorized along the dimensions funding, spending, and governance. With respect to the choice of these options, the survey responses reveal potential directions for improving or redesigning the QSF, which are presented in section 3.4.

The above findings are the basis for the definition of the future goal of the QSF as well as directions and principles for the development of the QSF. Finally, three concrete models for the future QSF are described and evaluated.

3.1 Review of economic theory and other funds

Besides technological and institutional barriers, limited availability of capital is one of the main reasons for slow diffusion of innovations in developing countries (Laeven, 2014). International financing mechanisms are an important instrument to promote diffusion of new technologies. Since the mid-1990s, the number of international financing mechanisms has multiplied. Conceição (2006) lists more than 60 funds, most of them programs run by intergovernmental entities like the United Nations or the World Bank and mainly promoting projects in the areas of education, environment and health. Sector-specific funds like the QSF exist in the telecommunication and the airline sector.

In the airline sector, the International Civil Aviation Organization (ICAO) is a UN specialized agency, established by States in 1944 to manage the administration and governance of the Convention on International Civil Aviation (Chicago Convention). In 2010 ICAO founded the Safety Fund (SAFE), which serves as a mechanism to support safety programs among ICAO members. The purpose of SAFE is to improve the safety of civil aviation by addressing serious safety deficiencies in countries which lack the financial means to do so. Another fund for the airline sector is the International Airline Training Fund (IATF). It is funded by the International Air Transport Association (IATA), the trade association for airlines, representing about 260 airlines. The IATF sponsors regional and in-company training initiatives to help airlines attain proficiency in industry standards and best practices.

In the telecommunications sector, the International Telecommunication Union (ITU) is responsible for issues that concern information and communication technologies. In 1997, ITU established the Information and Communications Technology Development Fund (ICT-DF) as a special development initiative for telecommunication development projects, primarily in least developed countries. As this fund promotes a wide range of projects, two special trusts were funded to promote projects that are more specific: The ITU Accessibility Trust Fund to promote the accessibility of information and communications technology for persons with disabilities and the WSIS fund to support activities related to the implementation of the World Summit on the Information Society outcomes.

Even though these sector-specific fund seems to be comparable to the QSF, there exists a fundamental difference. Funds of ICAO, IATA and ITU are not financed by mandatory payments. The funds are mainly financed by voluntary contributions of member states, sector members and associates. The ICT-DF is funded through revenues generated by ITU telecom events, like the annual ITU Telecom World and sponsorships.

There is an abundance of literature on project success, success criteria and success factors for traditional projects. The diversity of success factors mentioned by the project management literature is considerable and includes the control level (especially schedule and cost), the impact on the client, the support of the general management of the organization, communication, etc., but also less controllable factors such as the environment, the political context, the competence of the project manager, etc. (Westerweld 2003). These factors determine the success of entire programs as well as the success of individual projects.

However, as mentioned by Diallo and Thuillier (2005), the literature on success factors for international development (ID) projects is scarce and the empirical research specifically dedicated to the management of ID projects is even rarer. One exception is a study of Lavagnon et al (2010), who analyze the empirical relationship between project management (PM) efforts (the extent to which national project managers make use of available PM tools), project success, and success criteria. The research results suggest that project success is insensitive to the level of project planning efforts but a significant correlation does exist between the use of monitoring and evaluation tools and the visibility and/or the reputation earned by the project, a success criterion that is an early pointer of a project's long-term impact (cf. Diallo and Thuillier, 2004).

3.2 Developments

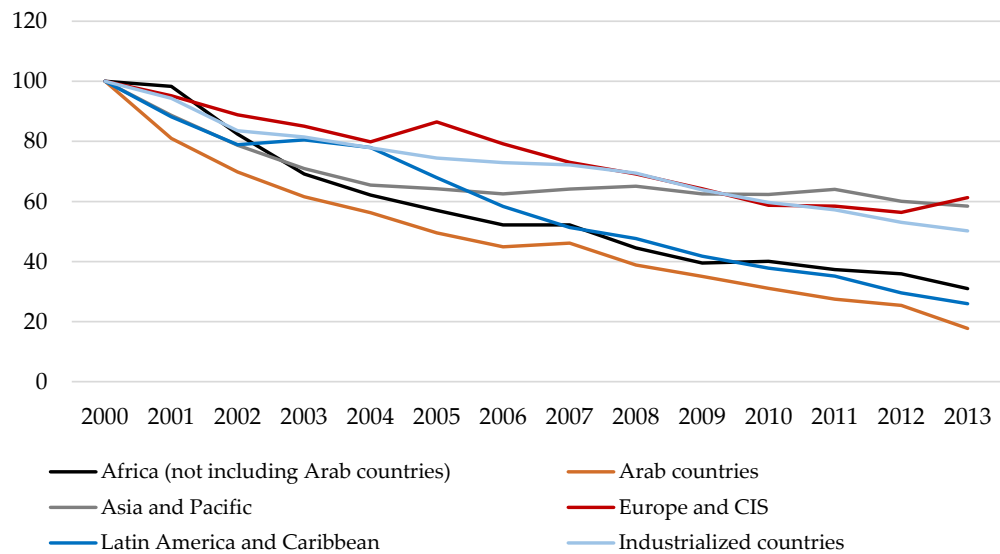
The development of postal markets and the regulatory environment influences the operations of the QSF. The most important market and regulatory developments are considered below.

3.2.1 Market developments

The main developments in the postal market are driven by the Internet: changing communication habits are reflected by progressive substitution of conventional letter mail by electronic forms of communication. Changing consumer behavior is also reflected in high growth rates in e-commerce with increasing importance of track and trace services.

The ongoing e-substitution in the communication among businesses, between consumers and between businesses and consumers results in a steady decline in letter volumes during the last 15 to 20 years. According to the UPU Postal Statistics, the number of domestic letters items decreased about 22% between 2000 and 2013. However, the decline in international service is even higher. As shown in **Figure 24**, international letter-post items decreased between 40% and 80% since 2000.

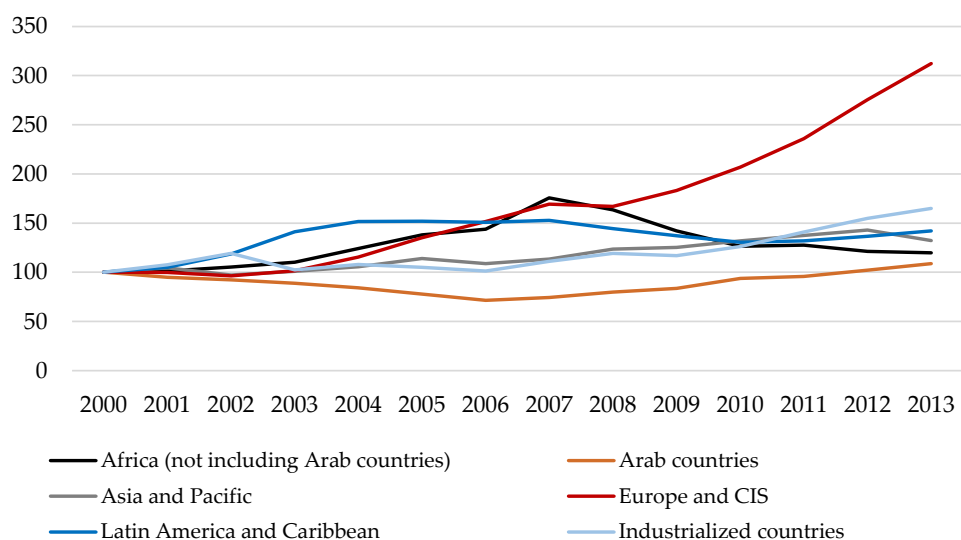
Figure 24: Index of letter post items, international service (2000 = 100)



Source: Swiss Economics based on UPU Postal Statistic

Nevertheless, the Internet has also provided an impulse to the postal and logistics sector. The strong growth of online shopping has resulted in a steady increase in parcel shipment volumes. In accordance with the UPU Postal Statistics, the number of parcels increased by about 1.9 billion items worldwide since 2000, resulting in more than 6.6 billion parcels in 2013. Whereas the share of international parcels is just around 1%, the average increase since 2000 for international parcels (+64%) is higher compared to domestic parcels (+39%). As shown in **Figure 25**, the increase of international parcel services since 2000 is mainly driven by industrialized and Eastern Europe countries.

Figure 25: Index of ordinary parcels, international service (2000 = 100)

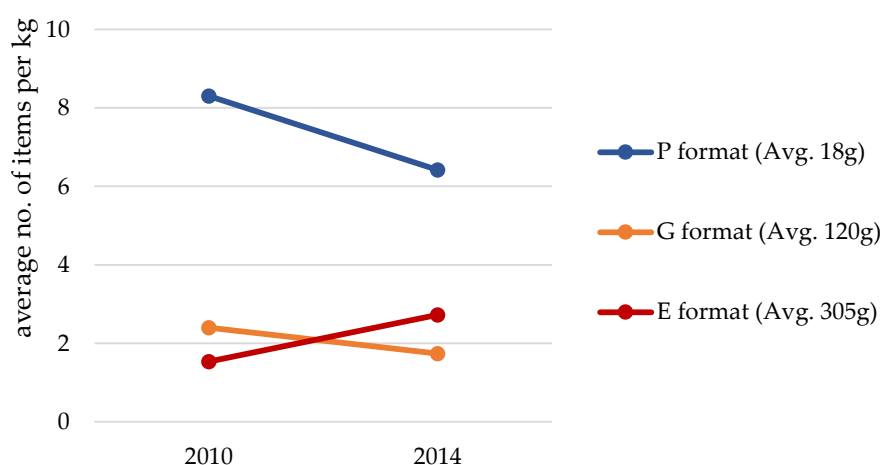


Source: Swiss Economics based on UPU Postal Statistic

According to Swiss Economics (2011), DOs have altogether, compared to integrators such as DHL or UPS, not as much participated from the growing e-commerce markets, resulting in decreases of market shares. Improvements of quality of service may hence reinforce the competitiveness of the UPU parcels network.

The shift from letters to packages/parcels is mirrored within the letter post items category, as shown in **Figure 26**. While letters lighter than 20 grams are going down rapidly (“P format”), the E format with an average weight of 305 grams has nearly doubled volumes within four years only.

Figure 26: Small packages are increasing within letter post items



Source: Swiss Economics based on UPU data

3.2.2 Regulatory developments

Forthcoming reforms on terminal dues will affect the QSF, as terminal dues determine the contributions to of the QSF. Current developments are a consequence of a decision made by the congress in 2008, as illustrated in **Table 11**. This decision set the framework of a target system, which all countries are supposed join by the end of 2017. Whereas the target system is already in place in countries in groups 1.1, 1.2 and 2, countries that belong to group 3 are going to join the target system in the beginning of 2016.

Table 11: Switch of countries to target system

Year	Groups in target system	Groups in transition system
2015	Group 1.1, 1.1, 2	Group 3, 4, 5
2016	Group 1.1, 1.2, 2, 3	Group 4, 5
2018?	All groups	none

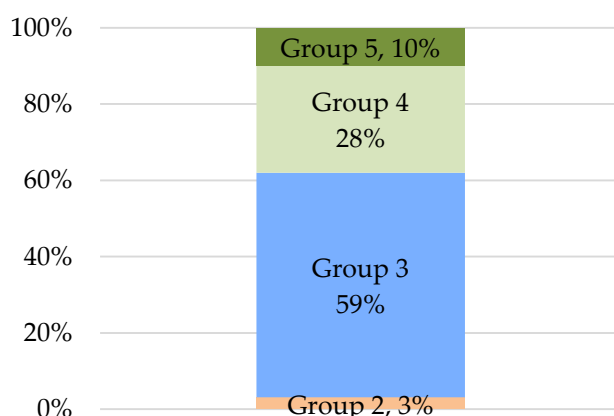
Furthermore, the POC and the CA are involved in the development of a single terminal dues system for the 2018-2021 cycle, based on resolution C57/2012. With this resolution, the Doha congress decided on the future work that should be performed in preparation of the terminal dues system for 2018–2021. This work includes the development of a timetable and a transition principle for the full application of the target system provisions by countries in groups 1.2, 2, 3, 4 and 5, as well as a review and revision of the methodology for the classification of countries. Furthermore, the CA was instructed to ensure, in coordination with the POC, that countries in

groups 3, 4 and, especially, 5 benefit from quality improvement projects financed through the QSF, which requires that appropriate levels of contributions are assigned to the country’s most in need. This includes a mandate for the Letter Post Remuneration Group (LPRG) to propose new payment rates in respect of the QSF.

For QSF payments, four options have been short-listed by the POC.¹¹ Option 1 is a continuation of the existing QSF contributions from all target countries into groups 4 and 5. Option 2 is the same as option 1 for the two first years, but shows a reduction of the QSF contributions in the two last years of the cycle. Options 1b and 2b are two variations of options 1 and 2, in which group 4 would no longer contribute to the QSF, taking into consideration that the postal development indicators (PDIs) of group 4 are very similar to those of group 5.

For the fund’s future, it will be particularly essential whether QSF contributions apply for group 3 countries. Figure 27 reveals that QSF contributions for items to group 3 countries account for about 60% of the funds yearly income. A consequence of the LPRG proposal is hence that the QSF would be reduced by at least about 62% (group 2 plus group 3 below).

Figure 27: Group 3 essential for QSF funding



Source: Swiss Economics based on UPU data of 2014

3.3 Dimensions and options for further analysis

Based on the analysis and the survey, the options at hand for redesigning the QSF are categorized along the following dimensions: Funding, spending, and governance.

The funding side is characterized by the definition of contributing countries (“who”) and the calculation basis for future contributions (“how”). Whereas the definition of contributing countries is a question of the scope of the funding, the calculation of contributions to the fund determines the amount per country. Specific options for amendments in the QSF in the dimensions of funding are listed in **Table 12** below.

¹¹ CEP C 3 GRPL 2015.1–Doc 6

Table 12: Funding Options

Dimensions of funding	Options
Contributing Countries	<ul style="list-style-type: none"> ▪ All ▪ “Highest” (Group 1 and 2) ▪ “High” (Group 1, 2, 3) ▪ “Higher” (from higher country groups) ▪ All countries in the target system
Calculation basis	<ul style="list-style-type: none"> ▪ Outbound items (Letters, Parcels; Express; E-Commerce) ▪ Capability (GDP, domestic items, PDI) ▪ Capacity (profit, turnover)
Ownership	<ul style="list-style-type: none"> ▪ Contributing DOs (individual / country groups) ▪ Beneficiary DOs ▪ UPU/IB until projects are commissioned

On the spending side, the definition of beneficiary countries, the scope of fundable projects, the submission of project proposals, project selection principals and additional requirements must be considered. Potential options and suboptions are listed in **Table 13**. The first two dimensions define who is getting money for what.

Table 13: Spending options

Dimensions for spending	Options
Beneficiary Countries	<ul style="list-style-type: none"> ▪ All ▪ “Lowest” (Group 4 and 5) ▪ “Low” (Group 3, 4, 5) ▪ “Lower” (to lower country groups) ▪ All countries in the transition system
Scope	<ul style="list-style-type: none"> ▪ Products: Letters; Parcels; Express; E-Commerce ▪ Infrastructure: Delivery infrastructure; cross-border facilities; IT ▪ Nature of projects: <ul style="list-style-type: none"> ▪ Status quo: Access to services, speed and reliability, security, liability and handling of inquiries, customer satisfaction or design and implementation of cost accounting systems. ▪ Specific dimensions of quality of service, e.g. speed, reliability, home delivery, measurement, tracking ▪ Geographical: National/local; regional; global
Submission of project proposals	<ul style="list-style-type: none"> ▪ Bottom up (proposal by beneficiaries) ▪ Top down (proposal e.g. by IB/QSF team or other DOs) ▪ Bottom up and Top down
Project selection	<ul style="list-style-type: none"> ▪ Yes / no decision by BoT ▪ Competition among proposals ▪ Based on QDP
Restriction	<ul style="list-style-type: none"> ▪ Funds must be used during a specific period of time ▪ Limit on accumulated assets per country

On the governance side, responsibilities and competences of the involved actors can be adapted. In the first column of **Table 14**, competence areas are listed, whereas the other columns indicate who is (X) or could be (?) made responsible.

Table 14: Governance options

	POC	BoT	Beneficiary DO	Contributing DO	IB/QSF team
Definition of QSF Priorities	?	?			
Project suggestion				?	?
Formal project proposal			X	?	?
Project coordination		?			?
Project approval		X			
Project management			X		?
Project monitoring				?	X
Project evaluation		X		?	X
QSF administration		X			X

X = situation in status quo
 ? = possible new competences

For example, beneficiary DOs can today submit project proposals and manage those projects that have been approved by the BoT.

3.4 The survey’s stance on the QSF development

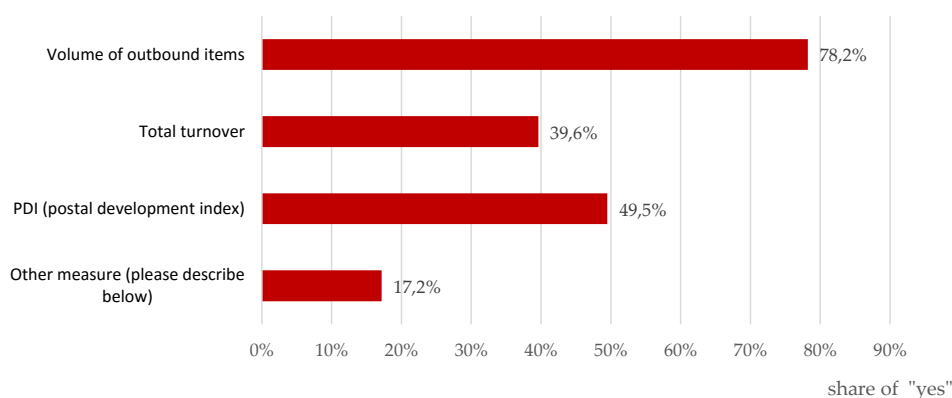
With respect to the choice of these options, the survey responses reveal potential directions for improving or redesigning the QSF. Below, the responses are structured along funding and spending principles, project selection principles, the funds governance and future goals.

3.4.1 Funding and spending

As shown in **Figure 28** (answers from question 27), the most preferred principle of future funding is the link to the volume of outbound items, approved by about 80% of the respondents. About 50% would approve funding based on the PDI, and about 40% would support total turnover. Other measures mentioned include GDP, total volume of mail items, actual needs in the sector based on the overall postal strategy, and the DO’s financial situation.

Figure 28: Future principles of funding

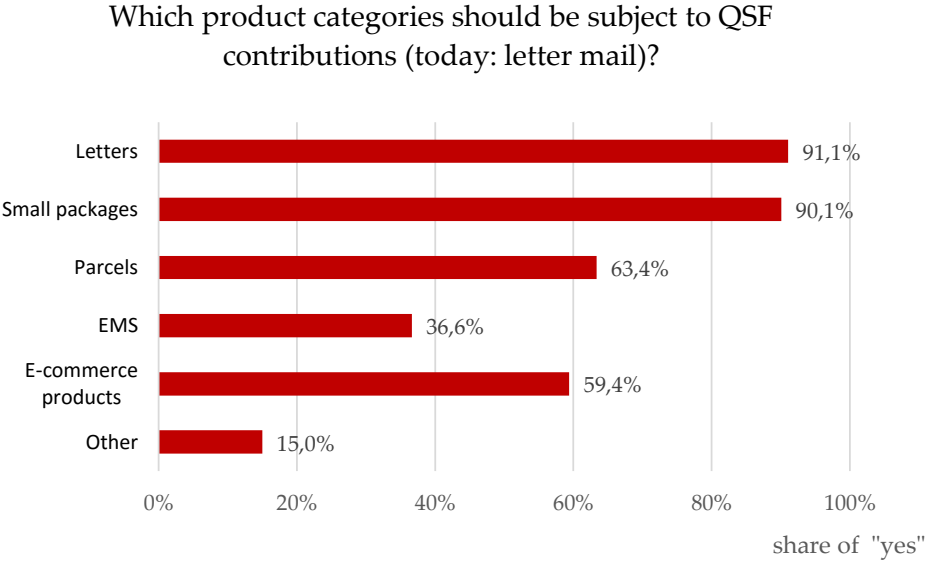
In your opinion, provision of funds by contributing DOs should be based on what principles



Source: Swiss Economics

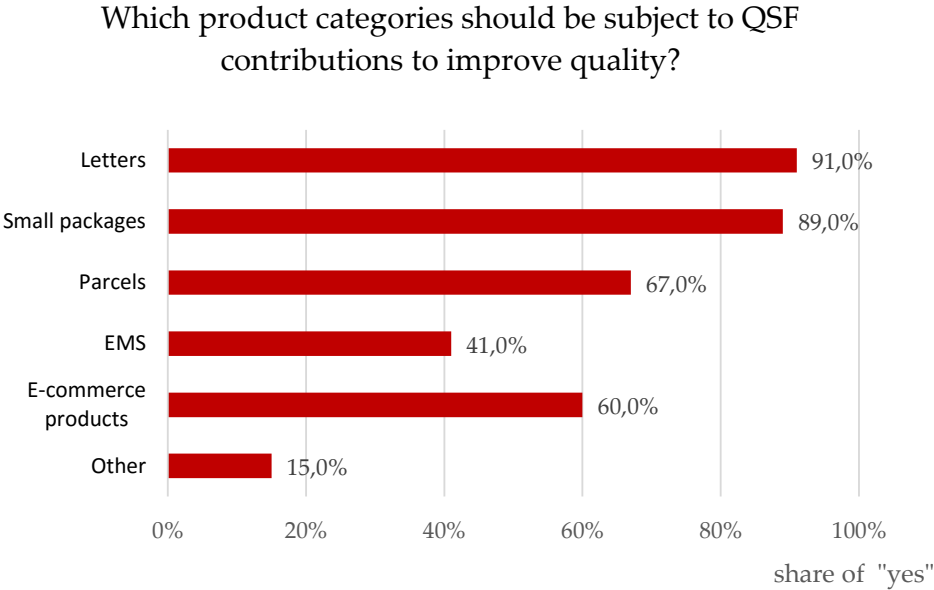
Until now, contributions to the QSF are linked to the terminal dues and therefore to letters and small packages. However, as letter volumes decline over time, an extension to a wider range of products would be an option to increase the contributions to the fund. Therefore, question 29 of the survey asked, which product categories in the future should contribute to the QSF. As shown in **Figure 29**, more than 90% agree that letters and small packets should contribute. In addition, about 60% want parcels and e-commerce products to contribute in the QSF, whereas a minority only agrees with contributions by Express services (EMS).

Figure 29: Product categories subject to future funding



Source: Swiss Economics

Figure 30: Product categories subject to future spending



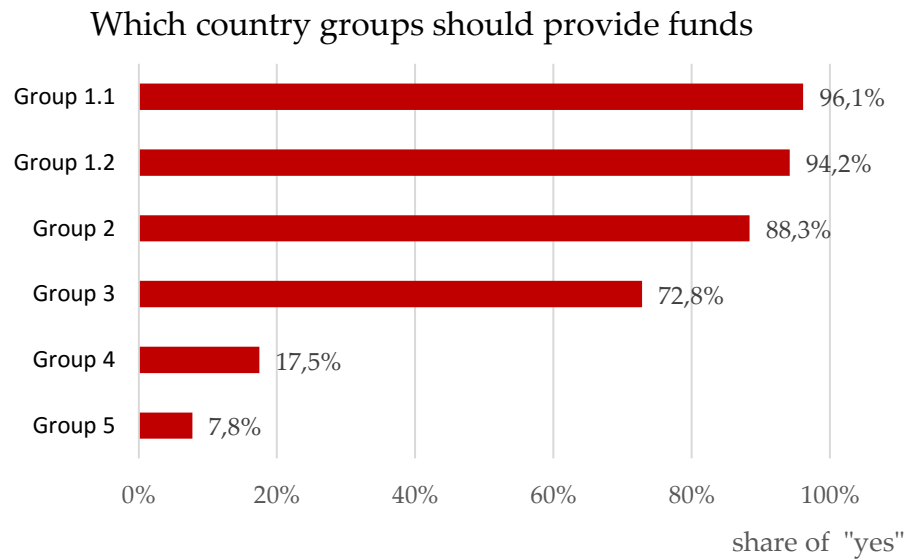
Source: Swiss Economics

Similar answers can be obtained, if product categories are linked to the future spending principles (question 34). As shown in **Figure 30**, letters, small packages, e-commerce products and

parcels should be subject to future QSF spending, whereas EMS finds no majority among the DOs.

A crucial point for the future of the QSF is the definition of beneficiary and contributing countries. On the funding side, we do not observe any dissent. As shown in **Figure 31** (answers on question 30), the DOs agree that in the future, countries from groups 1.1, 1.2, 2 and 3 should contribute.

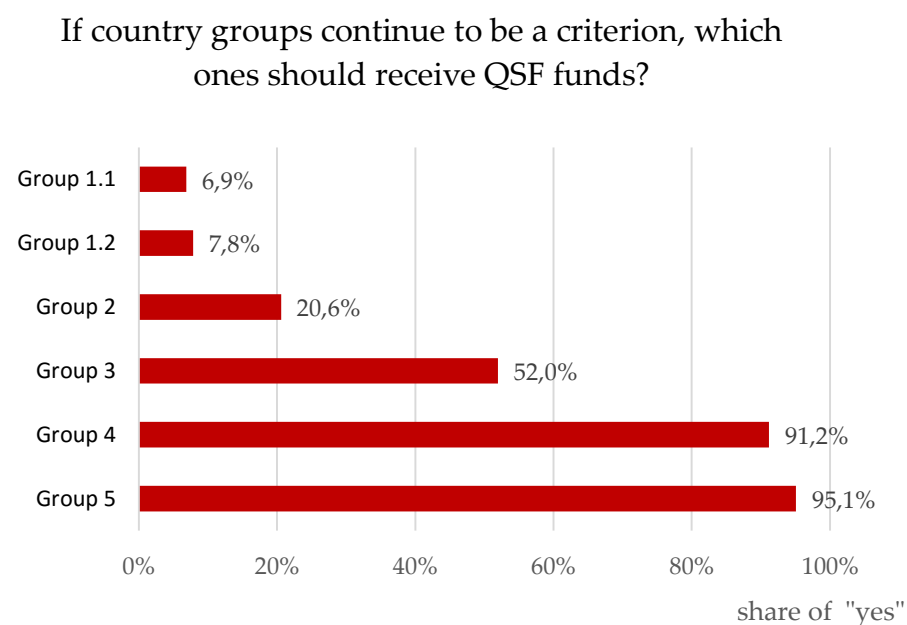
Figure 31: Future contributing country groups



Source: Swiss Economics

Whereas a clear picture exists on the funding side, answers on future beneficiary countries are a bit more ambiguous. While more than 90% agree with group 4 and 5 as beneficiary countries, as shown in **Figure 32** of question 33, slightly more than 50% of respondents would agree that group 3 countries could be considered as beneficiaries.

Figure 32: Future beneficiary country groups

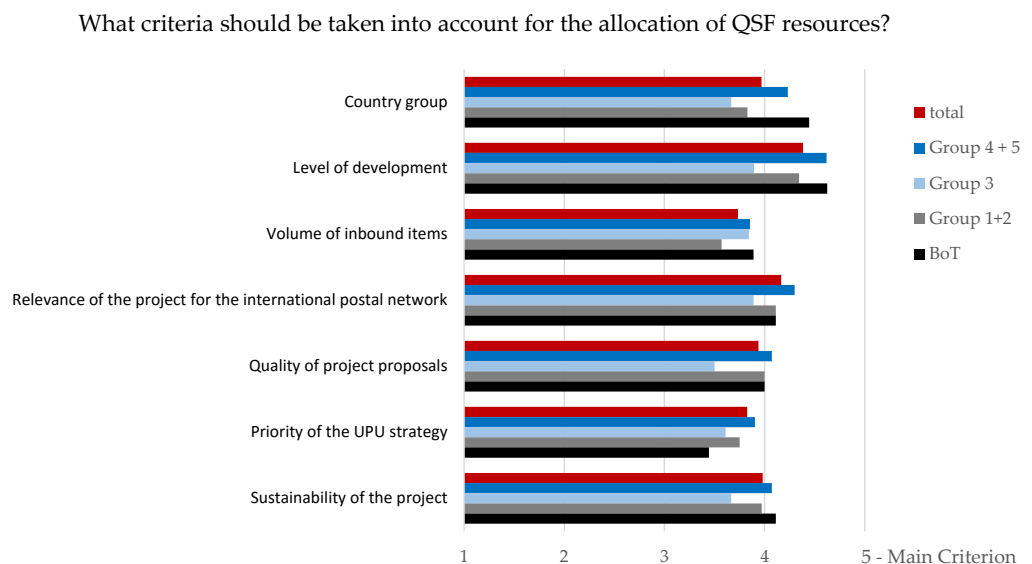


Source: Swiss Economics

The ambiguous role of group 3 countries in the future is possibly linked to some doubts if country groups are the proper and unique criterion for the allocation of QSF resources. In fact, the survey reveals some evidence that additional criteria should be taken into account. As shown in **Figure 33** (answers on question 31), the criteria “Level of devolvement” and “Relevance of the project for the international postal network” are ranked highest, followed by country groups, sustainability of projects, quality of proposals, UPU strategy and volume of inbound items.

However, some difference are observable between country groups. Whereas for group 3 countries “Volume of inbound mail” and “Level of development” are equally important, all other countries assess “Level of development” on a higher value and “Volume of inbound mail” on a lower level compared to group 3 countries.

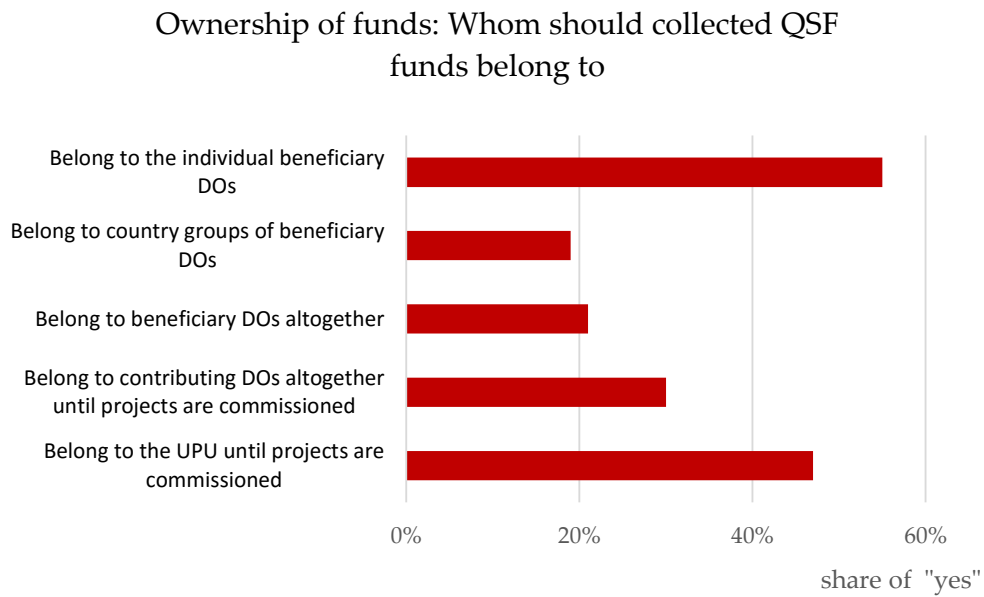
Figure 33: Allocation criteria for QSF resources



Source: Swiss Economics

Figure 34 represents the answers for question 35 of whom the collected QSF funds should belong to. Slightly more than 50% opt for the current solution, whereas slightly less than 50% see the funds belonging to the UPU/IB until projects are commissioned. Other alternatives have received low support only. The results reveal some scope for a common QSF account (taken up in models 2 and 3 in Section 3).

Figure 34: Ownership of funds

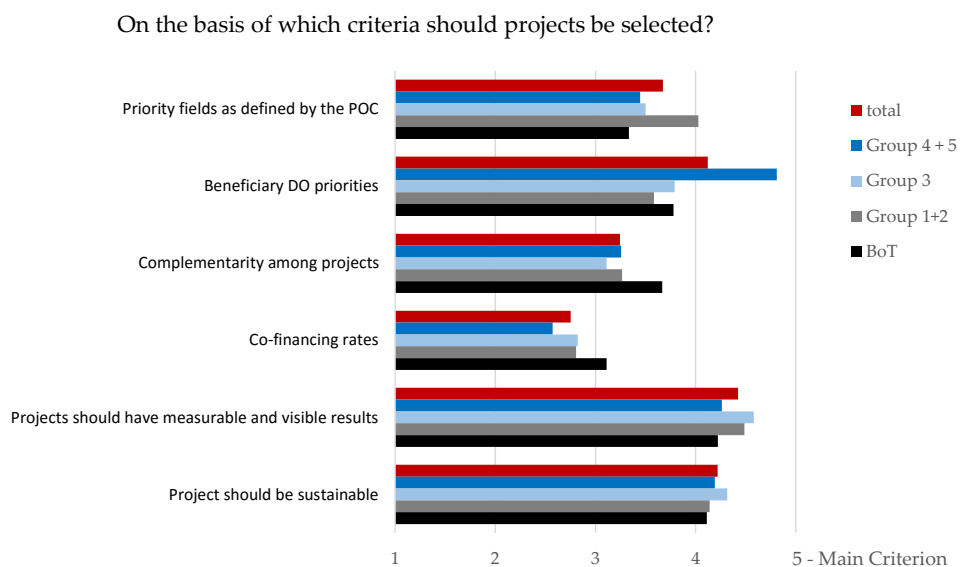


Source: Swiss Economics

3.4.2 Project selection principles

For a more efficient allocation of QSF Funds on specific projects, additional criteria for the project selection process can be defined (question 37). As shown in **Figure 35**, there exist a broad agreement between all countries: Projects should have measurable and visible results, and they should be sustainable. On the other side, co-financing rates should not be a main criterion. Countries in group 4 and 5 put more emphasis on projects that are in line with their own priorities.

Figure 35: Project selection criteria

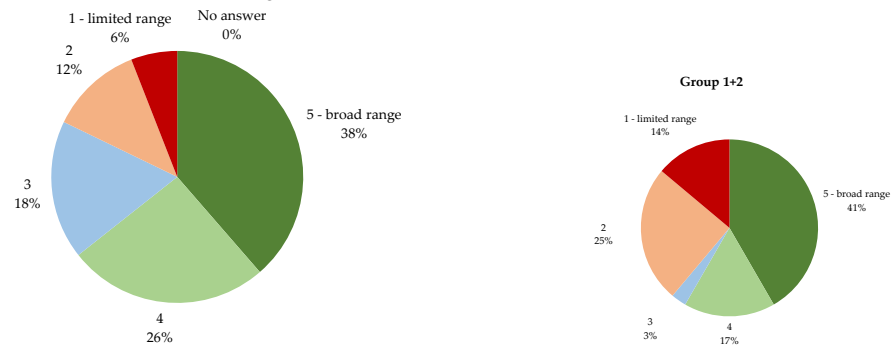


Source: Swiss Economics

One alternative to promote specific projects which are in line with the preferred project selection criteria is the limitation of fundable projects. However, answers on question 41, which are visualized in **Figure 36**, indicate that a broad majority prefer a broad range of fundable projects. This result holds true for all country groups even if an important minority of group 1 and 2 countries would like to limit the range of fundable projects (see right side of figure).

Figure 36: Range of fundable projects

Range: Would you prefer limited classes of fundable projects or a more broad range?

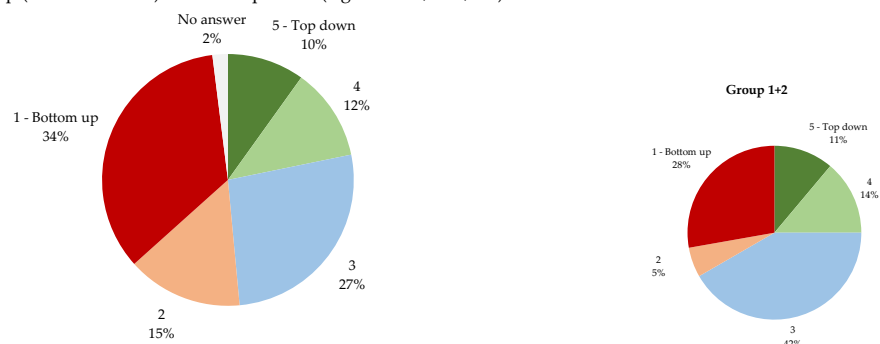


Source: Swiss Economics

Figure 37 of question 43 shows the DOs' opinions on whether QSF projects should be proposed bottom-up by beneficiaries or top-down, e.g. by the IB. The results indicate that there is some scope to extend the current bottom-up approach with some top down elements: About 50% opt for a middle way or even a more accentuated top down approach. The results differ along countries. Whereas 60% of beneficiaries clearly prefer a bottom-up approach to propose projects, two thirds of group 1+2 countries prefer some top-down elements (right side of figure).

Figure 37: Bottom-up and/or top-down project proposal

Bottom up vs. top down: Should projects be proposed bottom up (from local DOs) or more top down (e.g. from IB, BoT, etc.)?



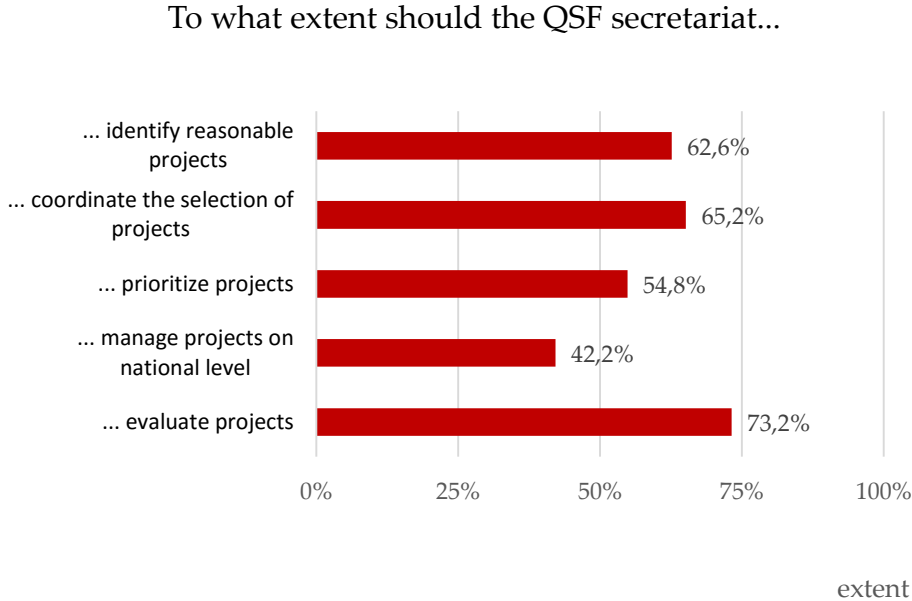
Source: Swiss Economics

3.4.3 Governance

Answers on the future governance principles of the QSF in the survey reveal that most respondents are highly satisfied with the work of the parties involved in the governance and management of the QSF. Answers on the future roles of the QSF secretariat (question 44) and the BoT (question 45) are shown in **Figure 38** and **Figure 39**.

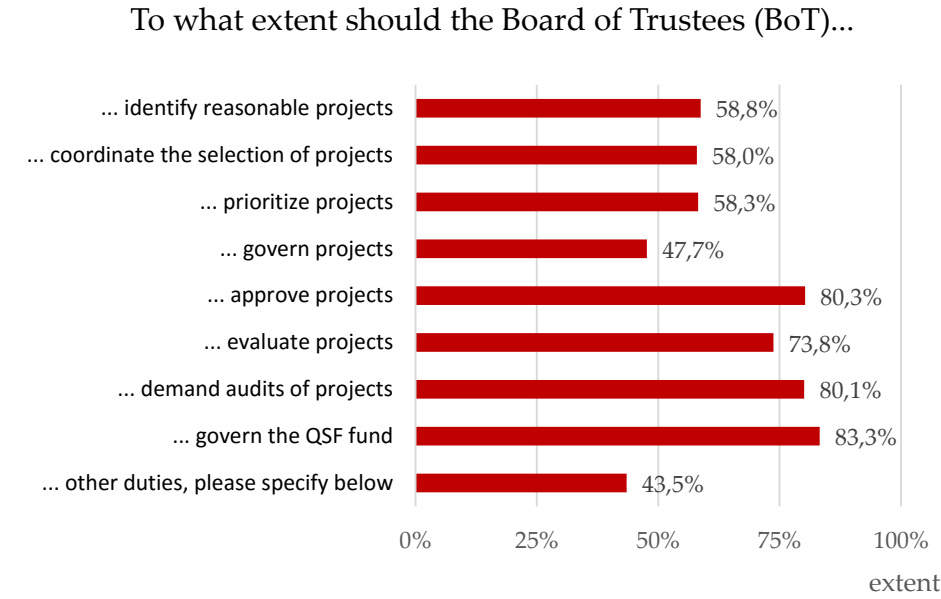
The answers reveal an uncontested role of the governing role of the BoT; the BoT should continue to approve projects, demand audits and govern the QSF fund. Both the BoT and QSF secretariat could be given a more active role in identifying, coordinating and prioritizing projects. However, DOs nor see the BoT governing individual projects, nor the QSF team managing projects on the national level.

Figure 38: Future role of the QSF secretariat



Source: Swiss Economics

Figure 39: Future role of the Board of Trustees

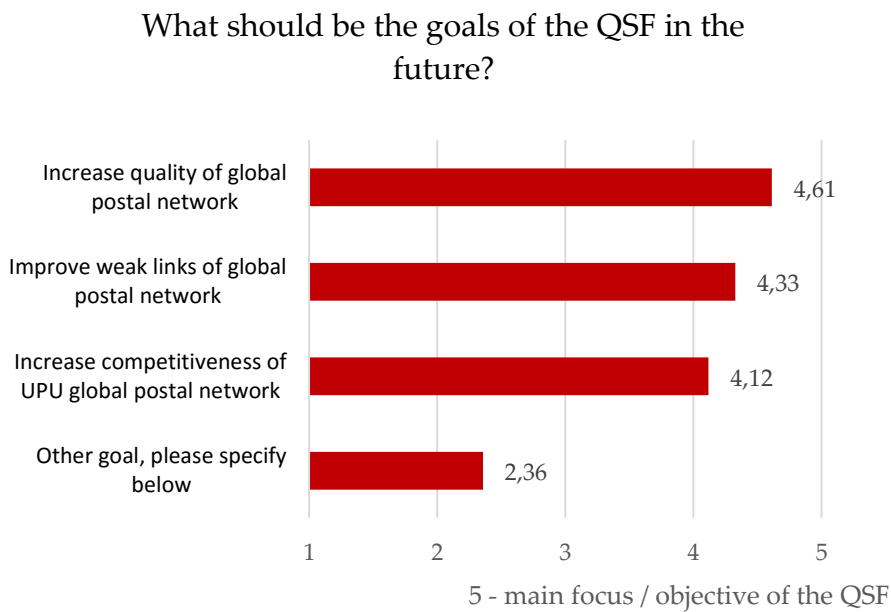


Source: Swiss Economics

3.4.4 QSF Goals

Question 48 of the survey asks about the future objectives of the QSF. As shown in **Figure 40**, the future goal of the QSF can and should include improving quality, weak links in the global postal network and the competitiveness of the global postal network; all three have received an average score of over 4, with quality of the global postal network reaching as much as 4,61 of 5. The focus can hence remain on quality, with some additional dimensions that can be considered as well. There exists a broad consensus on the future goals, as no differences between country groups can be observed.

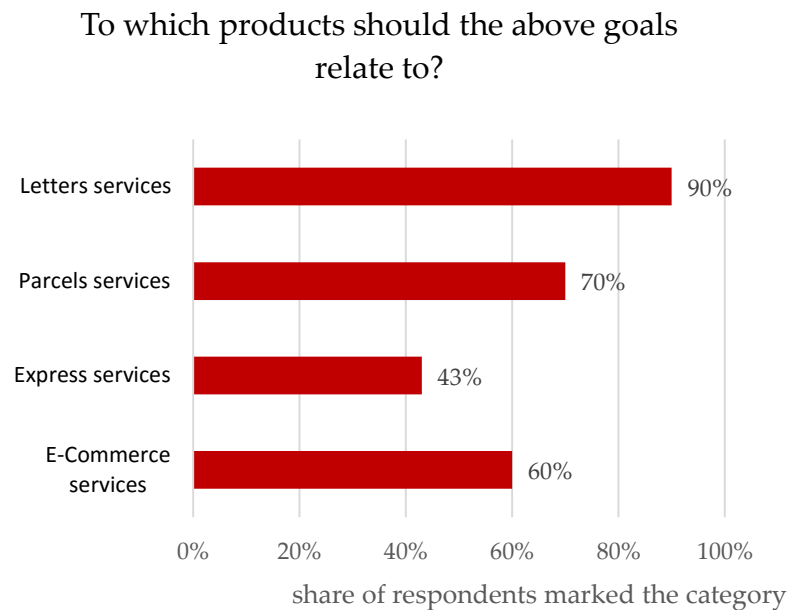
Figure 40: Future goals of the QSF



Source: Swiss Economics

Figure 41 of question 50 confirms that a majority of respondents opts for an extension of the current scope of the QSF. 90% are of the opinion that the future goals of the QSF should be related to letters services. In addition, a majority supports the idea, parcels and e-commerce services are included to the scope of the QSF.

Figure 41: Future product range of the QSF



Source: Swiss Economics

3.5 Directions and principles for improving the QSF

Based on the above findings, the future goal of the QSF as well as directions and principles for the development of the QSF are derived in order to guide the work on future QSF models.

3.5.1 Future QSF goal

Based on the findings from Section 3.4.4, a suggestion for the future QSF goal was deducted and presented to the QSF ad hoc group, leading to the following goal for the future QSF.

“Measurably improving quality of service, weak links and sustainability of the global UPU postal network”

The QSF’s primary goal is still quality of service. In order to guide the QSF’s development, it also emphasizes the postal system as a chain of activities which is as strong as its weakest link. Therefore, improving the weak links is the most efficient approach to improving the system. Moreover, quality gains might be temporary or lasting. The fund commits itself to focus on lasting, i.e. sustainable improvements of quality in the postal system.

3.5.2 Chosen directions for improving and redesigning the QSF

In addition to the future QSF goal, directions for the development of a new QSF were proposed, discussed and agreed. The directions are:

- QSF is continued and improved to meet the needs of a changing postal sector;
- The fund's governance with project approval by BoT may stay as it is;
- The scope of fundable projects might be extended;
- The bottom-up approach of project proposals may be complemented with selected top down elements. Thereby, BoT and/or QSF team may play a more active role;
- Terminal dues on outbound items as the basis for contributions may be maintained; funding may be opened for other sources;
- Contributions from groups 1 to 3 may continue to be destined mainly for groups 4 and 5. Top-down elements may be open for further beneficiary groups, e.g. group 3;
- The "use of funds" issue might be addressed (cf. Section 0).

3.5.3 Principles for development options and model evaluation

In the end, it will be the projects funded by the QSF which will determine its success or failure. In light of the specified goals and directions, potential alternative QSF models will be developed and evaluated along the following five principles, i.e. whether the fund facilitates projects that comply with the following principles:

1. **Goal orientation:** Preference for projects that best meet the QSF goal of measurably improving quality of service, weak links and sustainability of the global UPU postal network;
2. **Value orientation:** Support of countries with lower quality levels by countries with higher quality levels to foster growth of cross-border mail in particular from high quality countries;
3. **Necessity:** QSF funds should be available for DOs that need external funding to implement quality of service improvements. However, QSF funded projects should not be funded a second time by other means.¹²
4. **Subsidiarity:** Projects are proposed and managed on the lowest adequate level; for joint projects, a top-down approach to project proposition might be efficient for coordination. However, no country must be forced into participation in a project.
5. **Accountability:** Projects are measurable, have an output-oriented impact and are transparently reported;
6. **Equivalence:**
 - Product dimension:* Funding and spending should coincide in the sense of avoiding excess cross-subsidization between product categories
 - Geographic dimension:* Beneficiary countries should have preferential access to funds contributed on the basis their inbound mail: High quality countries have an interest in improving quality of service of their cross-border items to countries with lower quality.
 - Time dimension:* Contributed funds should be used within a reasonable time frame.

¹² Besides QSF funds, DOs may also be rewarded for quality improvements from other means, e.g. participation bonuses for joining the UPU Quality of Service Link (QS LINK).

3.6 Models

In this section, we describe alternative models for a new QSF. A model is a combination of funding, spending and governance mechanisms. At this stage, we do not consider issues related to the management of projects or the administration of the fund, as such dimensions are independent of the future model.

In light of the defined directions from Section 3.5, the ad hoc group has opted to proceed in two steps in order to avoid to overload its proposal for the 2016 congress. In a first step, issues such as the alignment of the existing scope of the QSF to the new goal (Section 3.5.1) shall be tackled. An extension of the funding side to products other than letter post items would then be a topic for the next cycle. As a consequence, the models presented below assume funding by letter post items.

3.6.1 Model A

The new goal of the QSF implies that the current focus on inbound letter post items is to be broadened. Otherwise, the QSF is no longer goal-oriented with respect to the new QSF goal of measurably improving quality of service, weak links and sustainability of the global UPU postal network. Therefore, the scope of fundable projects is extended. The POC may set QSF development priorities that would define which projects are of particular importance to meet the QSF goals.

The current provision that only transition countries are receiving QSF funds contradicts the value orientation principle, as quality-differences between countries will not automatically fade away once all countries will be in the target system. Therefore, funding and spending is made independent of the target/transition country distinction; rather, contributions are based on country groups which reflects among others the PDI (postal development index), a measure that is expected to correlate with quality of service.

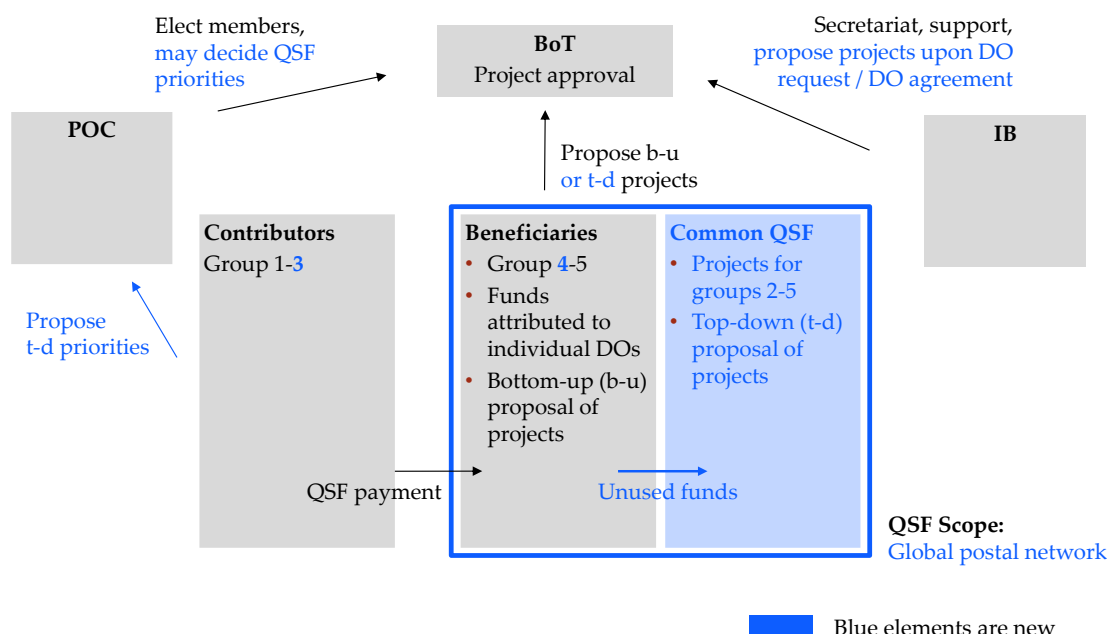
To address the use of funds issue, funds that have not been used after a defined time after receipt¹³ are transferred to a “common QSF account”. This may for example facilitate global or regional projects with many DOs involved, or improve weak links in a targeted way. To this end, the existing bottom-up proposing of affected beneficiary DOs is complemented with selected top-down elements, where additional parties are entitled to propose projects to the BoT. For example, a DO could propose projects affecting one or more of their peers to the BoT. In addition, the IB through its QSF team could propose projects if it was asked by DOs to do so or if at least 50% of the affected DOs agree with the proposal (details see Section 4). Besides groups 3 to 5, the common QSF could as well be open for projects of DOs from group 2 that would clearly need QSF funds to implement important quality of service improvements (necessity principle).

To increase the accountability of projects, project selection criteria are altered such that the measurability of projects and their impact on quality (output-orientation) are increased. The details are described in Section 4.

Figure 42 illustrates the main changes of model A (blue) compared to the status quo (black). It is noted that not all current QSF processes and roles are shown for the status quo.

¹³ For implementation details see Section 4.

Figure 42: Illustration of model A



Compared to the status quo the new elements are:

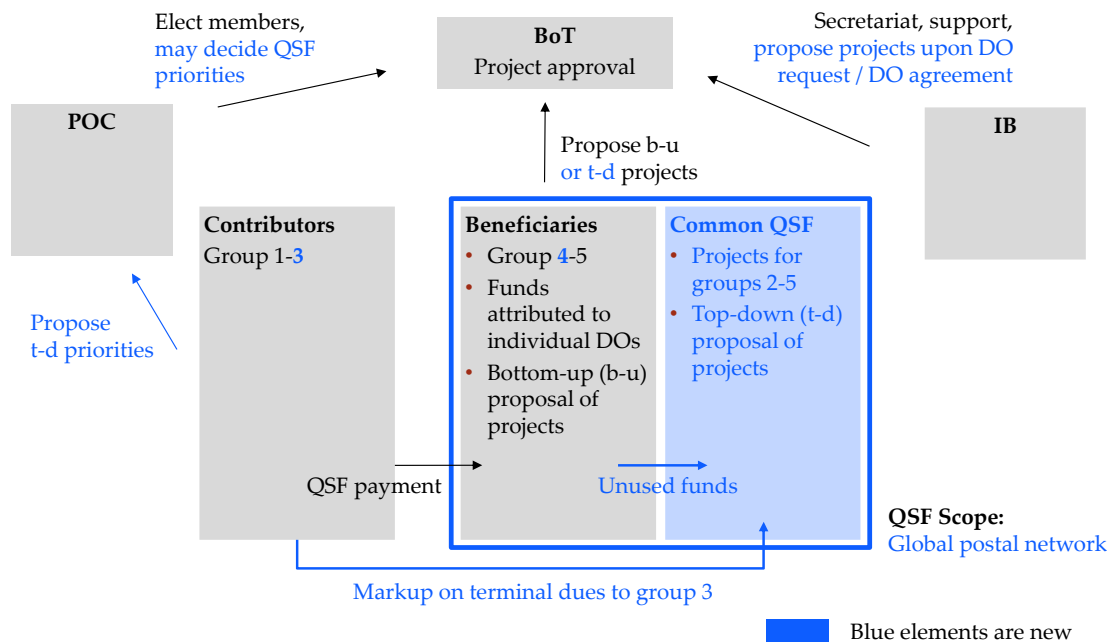
- Contributions by country groups 1 to 3 based on outbound terminal dues (instead of 1 to 4)
- Direct beneficiaries are group 4 and 5 (instead of transition countries).
- A new “common fund” of the QSF is fed by unused funds. This fund does not belong to a specific country.
- Funds received by beneficiary countries that have not been used for some years after receipt are used for a “common QSF”
- The “common QSF” finances top-down projects for group 2-5 countries.
- New procedures are introduced to propose top-down projects to the BoT. Besides potential beneficiary DOs, the IB through its QSF team can propose projects top-down if a) a DO is asking it to propose a project or b) at least 50% of the DOs involved agree with the proposal;
- The scope of fundable projects is extended to parcels and e-commerce services and related delivery and cross-border infrastructure. The POC may decide development priorities within the extended scope. Contributor DOs can propose such priorities to the POC;
- Reinforcement of measurability and output-orientation with regards to project selection principles.

3.6.2 Model B

Starting from model A, model B goes one step further by introducing a mark-up on terminal dues destined to group 3 countries. However, these payments are not credited to the respective group 3 countries. Rather, these funds are used to fund the “common QSF” account that is used for top-down projects. This mark-up is destined to sustainably fund the common account. If needed, it could also allow to extend the period after which unused funds are transferred to the “common QSF”.

Figure 43 illustrates the main changes of model A (blue) compared to the status quo (black). It is noted that not all current QSF processes and roles are shown for the status quo.

Figure 43: Illustration of model B



Compared to the status quo the new elements are: (in *italics* changes to model A)

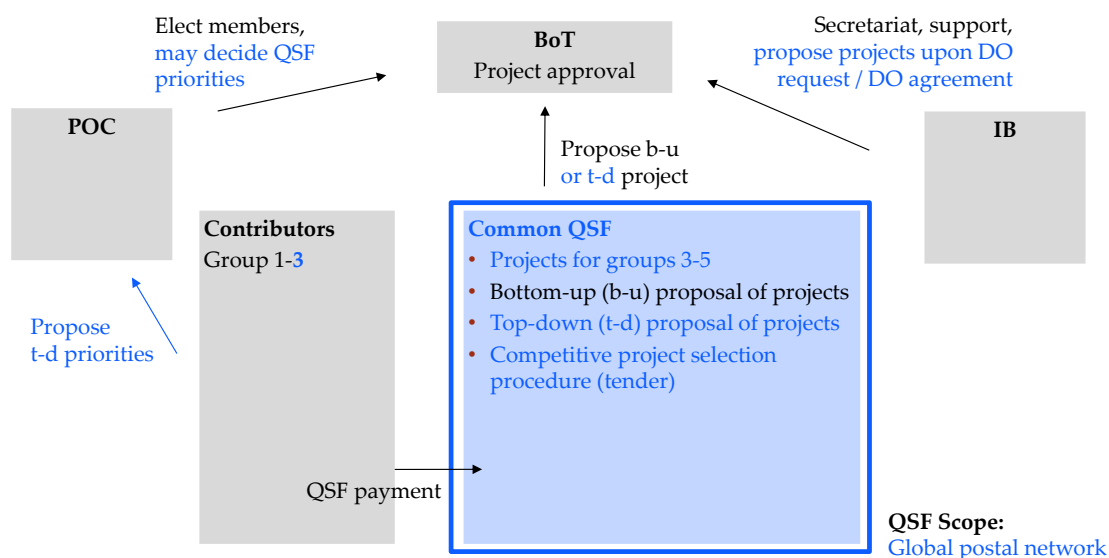
- Contributions by country groups 1 to 3 based on outbound terminal dues (instead of 1 to 4)
- Direct beneficiaries are group 4 and 5 (instead of transition countries). A new “common fund” of the QSF is fed by the TD-markup on terminal dues to group 3 countries. This fund does not belong to a specific country.
- Funds received by beneficiary countries that have not been used for some years are transferred to the “common QSF”
- The “common QSF” finances top-down projects for group 2-5 countries.
- New procedures are introduced to propose top-down projects to the BoT. Besides potential beneficiary DOs, the IB through its QSF team can propose projects top-down if a) a DO is asking it to propose a project or b) at least 50% of the DOs involved agree with the proposal;
- The scope of fundable projects is extended to parcels and e-commerce services and related delivery and cross-border infrastructure. The POC may decide development priorities within the extended scope. Contributor DOs can propose such priorities to the POC;
- Reinforcement of measurability and output-orientation with regards to project selection principles.

3.6.3 Model C

Model C goes again one step further than model B and aims to identify the most efficient QSF projects globally. To this end, bottom-up and top-down proposed projects are evaluated against each other in a competitive tender mechanism, and those projects which are anticipated to optimally contribute to achieving the new QSF goals are selected. Consequently, country-specific balances are not fed anymore with QSF funds, and all contributions go into the common QSF.

Figure 44 illustrates the main changes of model A (blue) compared to the status quo (black). It is noted that not all current QSF processes and roles are shown for the status quo.

Figure 44: Illustration of model C



The new elements compared to today are: (in *italics* changes to model B)

- Contributions by country groups 1 to 3 based on outbound terminal dues (instead of 1 to 4 to groups 3 to 5).
- *All contributions feed a new “common pot” of the QSF. This fund does not belong to a specific country.*
- *Existing funds received by beneficiary countries that have not been used for some years are transferred to the “common QSF”. Ultimately, there are no DO-specific accounts anymore (used for projects or transferred to common pot)*
- The “common QSF” finances *bottom-up and top-down* projects for group 3-5 countries.
- New procedures are introduced to propose top-down projects to the BoT. Besides potential beneficiary DOs, the IB through its QSF team can propose projects top-down if a) a DO is asking it to propose a project or b) at least 50% of the DOs involved agree with the proposal;
- The scope of fundable projects is extended to parcels and e-commerce services and related delivery and cross-border infrastructure. The POC may decide development priorities within the extended scope. Contributor DOs can propose such priorities to the POC;
- *The BoT selects the projects that are best aligned with the QSF goals and priorities set by the POC based on a competitive tendering mechanism. In the mechanism, measurability and output-orientation of projects will be rewarded.*

3.7 Evaluation

Table 15 summarizes how the three models perform against the principles developed in Section 3.5.3 that serve as evaluation criteria of the three models.

The selected improvements of Model A reveal themselves in better goal and value orientation and improved accountability. There are also some minor improvements in equivalence as we expect addressing the use of funds issue to be more important in relation to some increased potential of cross-subsidization from letters to non-letters services. Model A which adds to the QSF a solid funding source for the common account, achieves further improvements in goal and value orientation compared to model A. The underlying reason is that top-down elements

become much more effective, as enough common funds are available. Furthermore, improvements in terms of necessity and subsidiarity are achieved. In terms of equivalence, the country-to-country equivalence is somewhat relaxed, as it is to be expected (and also targeted) that funds paid to group 3 countries are received by countries whose projects better improve the global postal network. Model B also outperforms the most progressive model C in terms of value orientation principle. Model C in turn achieves improvements in the necessity and accountability criterion but goes further away from the country-to-country equivalence.

In sum, model B receives the best overall fulfillment of the principles that should govern the future QSF (cf. Section 3.5.3). Model B however inhibits a higher adjustment need as compared to model A, because mark-ups to group 3 countries apply. However, a mark-up on group 3 countries would not mean that these countries would be paid twice for quality of service improvements, as these contributions are destined to the common QSF, not to group 3 countries. Against this background, the QSF ad hoc group decided to further pursue models A and B.

Table 15: Evaluation of the three models compared to the existing QSF¹⁴

Principle / Criteria	Model 0: Existing QSF	Model A: Improved QSF	Model B: Sustainable QSF	Model C: Common QSF
Goal orientation	*	** Scope realigned to adapted goal (More targeted treatment of weak links) POC may define development priorities	*** Scope realigned to adapted goal More targeted treatment of weak links POC may define development priorities	*** Scope realigned to adapted goal More targeted treatment of weak links Competitive project selection POC may define development priorities
Value orientation	*	** “High to low” approach reinforced (Possibility of contributing countries to propose projects)	*** “High to low” approach reinforced Possibility of contributing countries to propose projects	** “High to low” approach somewhat reinforced Possibility of contributing countries to propose projects Low quality of service countries may fail to compete for funds
Necessity	*	* (For common account projects, necessity as an explicit criterion)	** For common account projects, necessity as an explicit criterion	** Necessity as an explicit criterion
Subsidiarity	**	** (Voluntary top-down elements to better manage global projects)	*** Voluntary top-down elements to better manage global projects	*** Voluntary top-down elements to better manage global projects
Accountability	*	** Stronger focus on measurability and output orientation	** Stronger focus on measurability and output orientation	*** Stronger focus on measurability and output orientation Competitive tendering will provide incentives to outperform
Equivalence	*(*)	** Use of fund issue addressed Temporarily some potential for cross-subsidization away from letters (Country-to-country equivalence somewhat relaxed)	*(*) Use of fund issue addressed Temporarily some potential for cross-subsidization away from letters Country-to-country equivalence somewhat relaxed	* Use of fund issue addressed Temporarily some potential for cross-subsidization away from letters Country-to-country equivalence relaxed
Rank from above		3	1	2
Adjustment need		Medium	Medium	High
Ad hoc group decision		Investigate further	Investigate further	Set aside

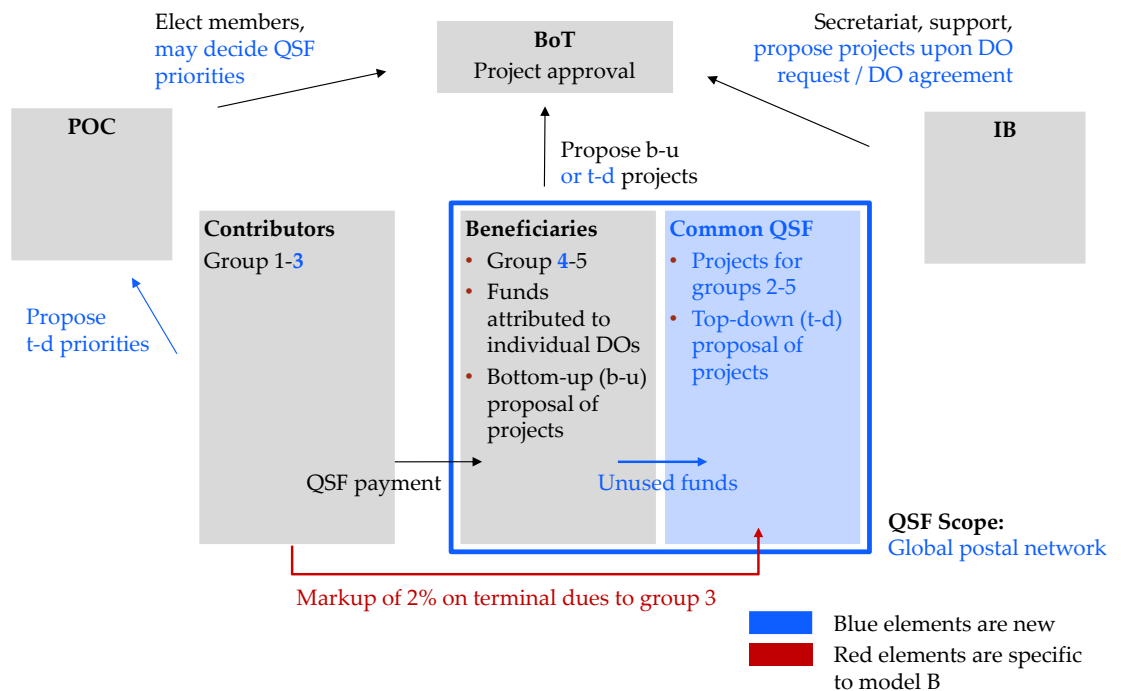
¹⁴ For model A, some improvements are in brackets. The brackets reflect the findings in Section 4 that the common account is likely to be too small to become effective in model A, hence these pros are of theoretical nature only.

4 Implementation

This chapter deepens the selected models and discusses their relevant implementation issues. Section 4.1 contains topics that are common to both models. In Section 4.2 the specific issues are discussed. Section 4.3 discusses the sustainability of the models.

As shown in Figure 45, the models are of similar nature and essentially differ along the funding of the common QSF account (red arrow). Otherwise, today's procedures and governance essentially remains the same.

Figure 45: Similarities and differences of models A and B



Source: Swiss Economics

4.1 General, common topics

The evaluation of the status quo has revealed room for improvements of the QSF. The topics below address those improvements that are common to model A and B.

4.1.1 Broadened scope of the QSF

The survey results, the market developments and the derived new goal of the QSF “measurably improving quality of service, weak links and sustainability of the global UPU postal network” require an extension of the now limited scope of the QSF of letter post services related to “access to services, speed and reliability, security, liability and handling of inquiries, customer satisfaction or design and implementation of cost accounting systems.”¹⁵

¹⁵ Until now the fund is used to support projects aimed at improving the quality of the universal postal service focusing on letter-post services, more details see Section 2.1.2.

The realignment of the scope can happen along the dimensions presented earlier in Table 12. Based on the survey results. We recommend to consider projects to be potentially approvable that satisfy the following four criteria (cumulatively):

- **Products:** Letters (including packages), and in line with the survey results, to some extent also parcels and e-commerce products (see survey results in Section 3.4.1)
- **Infrastructure:** Projects should improve delivery infrastructures, cross-border network elements (including outbound) or IT systems enabling quality of service measurement.
- **Nature of projects:** Projects should improve specific dimensions of QoS (details see next section on measurability).
- **Goal alignment:** The project needs to be aligned with the DOs quality development plan (QDP, as a precondition), the QSF goal and if applicable, development priorities as defined by the POC.

4.1.2 Increased measurability

To increase the measurability of QSF projects, the QSF should favor projects that improve quality in one of the following “output-oriented” dimensions.

- Targeted **speed of delivery** in country of destination, e.g. D+3 from acceptance in office of exchange;
- **Reliability**, e.g. % of items delivered on time; % of lost items
- **Integrity**, e.g. % of damaged goods;
- **Home delivery**, e.g. % of addresses with home delivery as opposed to delivery in Post Office;
- **Tracking**, e.g. % of items that are tracked;
- **Measurement of Quality of Service**, e.g. % of items that are measured.

In contrast to input-oriented dimensions such as for example ‘kind of vehicles employed’, these largely output-oriented measures are related to the characteristics of the service that are of relevance to the consumer. An exception are quality measurement systems, whose information may not be disclosed to consumers. The results are however essential for the partnering DOs.

If projects foresee the application of such output-oriented, measurable indicators, then quality of service improvements can be measured and verified ex post. Moreover, the indicators could be used to construct global key performance indicators whose improvement could be tracked over time.

4.1.3 Introduction of top-down elements

The top-down elements provide the basis for projects that make sense from an overarching perspective.¹⁶ For example, weak links of the global network can be improved in a targeted way. This requires that projects can be proposed not only from a bottom-up beneficiary DO perspective.

¹⁶ Even if DOs are most suitable to identify measures to improve the quality in their own country, they will not be able to identify the weak links in the global postal network. In addition, beside the lack of knowledge, it is rational for DOs to prefer projects which are in a national interest. Therefore, a mechanism is needed, which can help to identify projects that improve the quality of the global network instead of the quality of a national network.

The following top-down procedures (not exhaustive) could complement today's bottom-up procedures:

- **Beneficiary DOs** could, if their QSF budget is not high enough for an important project, request in their proposal the missing funds to be financed by the common account. Also, they could jointly propose a top-down project with other DOs. The latter would be possible for group 2 and 3 countries as well.
- **Contributing DOs** could, if they deem appropriate particular measures to increase international quality, suggest development priorities to the POC or suggest particular projects to the IB.
- **The IB** through its QSF team could propose projects ("top-down") if (a) it was asked by the concerned DO(s) to do so or (b) if at least 50% of the affected DOs agree with the proposal.

Such top-down elements will require some changes in the existing QSF regulations. In particular, the tasks and responsibilities related to the top-down projects must be defined, including procedures in case of excess demand.

4.1.4 Establishment of a common fund

The above top-down elements are complementary to a new financing resource, a common QSF account where funds are not attributed to individual beneficiary countries.

To this day, global and regional projects are financed by the participating DOs. This means that some DOs, which might be interested in such a project, can't participate due to a lack of financial resources. But even if a country has accumulated sufficient assets to participate in a global or regional project, there might be preferences to spend the funds for national projects.

To overcome those barriers for global or regional projects the introduction of a common account is needed. Such an account increases the willingness and ability to participate in top-down projects. In addition, the procedure of creating a project proposal for a global or regional project will be simplified, as such projects can be now proposed without a financial commitment of potential participants.

The main objective of a common QSF account would be the implementation of global projects for the improvement of supply chain elements and the UPU global e-commerce network.

The common account could be set up as follows:

- Management by QSF finance team, treatment as it would be a beneficiary DO account;
- Oversight by BoT;
- Fund's usage is subject to the BOT's approval of a project proposal.

The rules, principles and procedures for projects to be financed by the Common Fund will need to be defined in more detail.

4.1.5 Ensuring usage of funds

The goals of the QSF cannot be achieved if its funds are not used for specific projects. Therefore, it is in the interest of all parties, to avoid the accumulation of a too large volume of assets and to ensure the usage of funds.

A mechanism to provide the right incentives for a regular usage of the funds is the transfer of unused funds from individual balances to the common account after a predefined period. The design of such a mechanism requires:

- The determination of accounting rules, which allow the calculation of unused funds on a first-in, first-out basis (FIFO). Meaning that the oldest funds recorded are used first in financing a new project.
- The definition of the period after which unused funds are transferred to the common account. The period must be long enough to allow countries with few QSF contributions to accumulate sufficient assets for useful projects, but also an effective incentive mechanism to use funds can only function when the period for the use of the fund is foreseeable at the same time. It is suggested to apply as a threshold two years after receipts of last QSF payments in a cycle. As QSF payments are received up to two years later than the period the payments have been based on, the rule “two years after receipt” translates in effect to three, more likely to four years upon completion of a cycle. Should QSF contributions be credited sooner in the future, then the two years should be prolonged accordingly.
- The definition of an initial year when the mechanism comes into force. It is suggested that the transfer of unused funds applies only to QSF assets that will be received for the upcoming 2018-2021 cycle and beyond. Funds that have been received and accumulated before will remain with the DOs. For Group 3 countries this means that accumulated QSF assets will never be transferred. Group 4 and 5 countries’ QSF assets accumulated over the last four cycles (2001-2017) will remain with these countries; however, their QSF assets accumulated in the 2018-2021 cycle that have not been used after a specific time will be transferred to the QSF common account.

The table below explains the timing of any potential transfer of unused funds for the next cycle. For example, funds received for group 4 and 5 countries for the year 2018 are received in summer 2020 and would, if not used before summer 2022, be transferred to the common account. Of course, alternative rules could be defined, e.g. fund received during a cycle would need to be used after e.g. 2 years.

Table 16: Transfer of unused funds: Basic principle

Billing Year	Receipt Of Final Payment (June)	To common fund
...		No transfer possible
2017	2019	No transfer possible
2018	2020	Use until 2022, otherwise transfer to common account
2019	2021	Use until 2023, otherwise transfer to common account

4.1.6 Addressing operational issues

Project Proposals

As shown in Section 2.2.1, project proposal decisions are taken in average about half a year after the proposal was submitted to the QSF Team. The length of the process is driven by the time needed for the preliminary verification of the proposals by the QSF team and the limited number of BoT meetings (4 per year). While the number of BoT meetings is fix, interviews with the QSF Team reveal potentials to reduce the time needed for the preliminary verification. In accordance with the QSF Team, the duration of the preliminary verification highly depends on

the quality of the proposal. Therefore, the duration of the preliminary verification can be reduced by measures which improve the quality of project proposals.

To accelerate the decision-making process on project proposals, the following measures are recommended:

- The QSF Team provides information on best practice examples as well as on typical mistakes in the process of drafting a project proposal. Best practice examples should cover standard projects that would be funded for most countries.
- Ensuring that best practice examples and negative examples are part of the regional trainings for national coordinators.
- A further possibility would be to make the participation in regional training sessions mandatory for new national coordinators.

Project Database

Another measure which may result in an increased number of project proposal in good quality is the development of an easily accessible project database. The database should include all relevant information of planned, current and completed projects. In practical terms, this means

- the approved project proposal,
- the approved final report,
- the evaluation report,
- and relevant KPIs

should be available for all national coordinators. Such a database might facilitate the exchange of experience between different DOs and promote the knowledge of project opportunities. In particular, the exchange of experience could be very helpful to gain a better understanding of critical success factors in specific projects, and thereby in avoiding typical mistakes.

Evaluation Reports

However, the quality of such a database depends on the available data. The data must be comparable between different projects and meaningful. Therefore, an additional measure should be introduced. As shown in Section 2.3.4, the external evaluation of QSF projects does not allow a meaningful comparison between projects, as no variance in the evaluation can be observed. This might depend on the inconsistent practices in preparing the evaluation reports as well as to unclear specifications on the execution of an evaluation.

To increase the information value of the evaluation reports the following measures are suggested:

- Specification of an exact and structured list of questions, which must be answered in the evaluation report.
- In the case of response categories, the meaning of each category must be explained.
- KPIs defined in the project proposal must be quantified in the evaluation report and the degree of target achievements must be reported. Whenever possible, both KPIs before and after implementation should be foreseen in order to be able to measure progress.
- External experts may be required to evaluate their projects with a minimum of variance.
- May define minimum professional requirements for external experts.
- Implementation of quality control measures.

Managing the fund’s administrative cost

Even with a moderate mark-up of 2% on group 3 terminal dues in model B, the funds contributions are expected to decrease more than 45% as compared to 2014 (see Section 4.3). To keep the fund’s administration costs aligned with earned interest on the accumulated funds (see Section 2.4.1), it is recommended to reduce the administrative costs of the fund.

4.2 Model specific topics: Group 3 mark-up in model B to fund common account

In the past, QSF contributions of 8% resp. 6% for group 3 countries applied. These contributions accounted for about 60% of the fund’s revenue (cf. Section 4.3).

In model A, no mark-up on group 3 countries would apply and the common fund is raised by unused funds only (cf. Section 4.1.6).

At the core of model B, a mark-up for group 3 countries is preserved at a reduced rate of 2 or 4% (remaining open of whether other group 3 countries would be required to pay the mark-up as well). Importantly, the resulting funds are not credited to the group 3 countries, rather it is credited to the common account where it is potentially open for projects from groups 2 to 5. In order to introduce such a mark-up as of 1 January 2018, it would be required to set up a Task Force straight after the Istanbul Congress to develop the procedures for implementation of model B and approve them by the UPU Supervisory Body by end of 2017.

4.3 Assessing the fund’s sustainability

An important aspect of the future QSF concerns its financial stability. To predict the financial effect of models A and B on the fund’s finances, QSF billings for the year 2012 to 2014 were analyzed. The structure of the payments is very similar for all years considered. Therefore, the results of the evaluation are based on the billings in 2014 without loss of generality.

As described in Section 3.6, countries in country group 4 would no longer contribute to the QSF in any case, irrespective of the future model chosen. However, this restriction does not affect the volume of the QSF in a significant way, as contributions of group 4 countries account for less than USD 100’000 or 1% of total contributions in each year, as shown in **Table 17**. In addition, group 2 will no longer receive payments. Again, this has no strong impact on the total volume of the QSF, because in 2014 slightly less than \$ 600’000 or 3.5% were paid to countries in group 2.

Table 17: QSF bills per country group 2014

from\to	G2	G3	G4	G5	Total
G1.1	490’111,85	9’751’481,93	4’892’729,69	1’544’207,42	16’678’530,89
G1.2	92’483,54	1’060’439,50	330’767,63	27’129,47	1’510’820,14
G2	17,47	137’798,33	12’459,70	40’600,18	190’875,68
G3	843,81	8’472,24	22,55	144’237,80	153’576,40
G4	0,00	0,00	0,00	90’824,07	90’824,07
Total	583’456,67	10’958’192,00	5’235’979,57	1’846’998,94	18’624’627,18

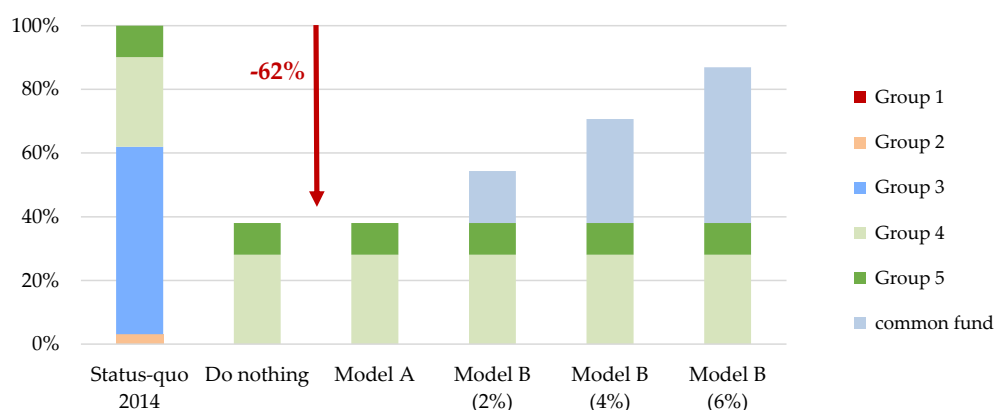
Source: Swiss Economics based on UPU (2015)

A much more important effect is to be expected when QSF contributions for group 3 would cease to receive QSF contributions, which accounted about 11 million USD or 62% of the fund’s revenues in 2014 (see **Table 17**). As described in Section 3.2.2, this would happen if the LPRG’s proposal is not complemented with new QSF provisions, i.e. if “nothing further is done”. In other words, if no new QSF provisions are introduced in this regard, the fund’s contributions would decline sharply by about 62%, as indicated in **Figure 46** (option “do nothing”).

The main difference between model A and model B is the treatment of group 3 countries. In model A, no mark-up for group 3 countries would be foreseen. In model B however, a mark-up would apply for mail items destined to group 3 countries. The money raised by these mark-ups would then be fed into the common account. The difference between model B and the status quo of 2014 is then the assignment of the contributions. Whereas the QSF contributions currently belong to countries in group 3, the mark-up would be accounted to the common QSF in model B to be used for top-down projects. **Figure 46** shows for model B the expected contributions with markups on group 3 terminal dues of 2%, 4% and 6%.¹⁷ As shown in the figure, a 2% (4%) markup would still result in a 46% (30%) decline of contributions.¹⁸

In model A as well as in the status quo with “doing nothing”, only the contributions to countries in group 4 and 5 would remain, as group 3 countries would cease to receive QSF contributions starting in 2018. Therefore, and in contrast to model B, an implementation of **model A would result in significantly lower contributions to the QSF**, as shown in **Figure 46**.

Figure 46: Impact of the models on future contributions



Source: Swiss Economics based on UPU (2015)

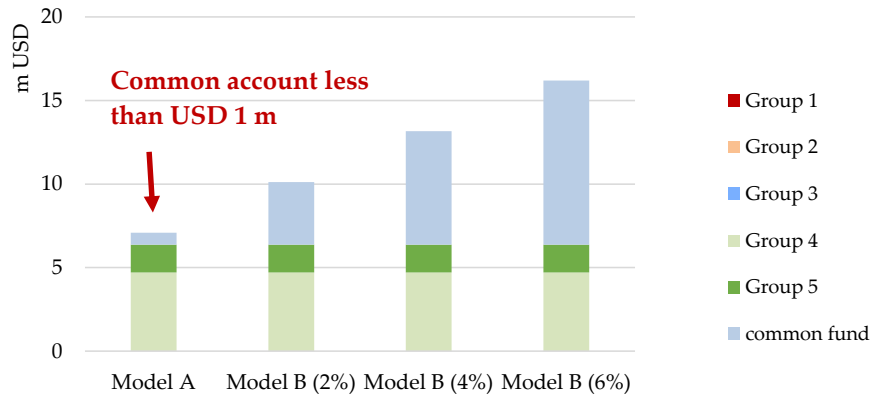
Even if financial volumes for the least developed countries would not be affected in the short-term, negative effects potentially occur in the medium term. If a permanent decline in the volume of the QSF will result in decreasing revenues from financial assets and administrative cost can’t be reduced sufficiently, a part of the administrative cost must be financed by funds belonging to countries from groups 4 and 5. In sum, **the sustainability of the entire fund will be questioned under model A.**

¹⁷ Assuming that the 2014 QSF billings base on the 2012 QSF rates.

¹⁸ Due to unavailable cross-country mail flow data, G3-G3 contributions could not be assessed and are therefore not reflected in model B calculations.

A second crucial weakness of model A is that the contributions to the common fund are likely to remain low even though unused funds are transferred to the common fund after 2 years. As illustrated in Figure 47, under model A the contributions will remain below USD 1 million, hence not reaching a sufficient enough amount to be able to finance solid top-down projects. As a consequence, **only model B will effectively unlock the potential to improve the supply chain of the UPU postal network.**

Figure 47: Only model B with sufficient contributions for common account



Source: Swiss Economics based on UPU (2015)

5 Conclusions and recommendations

A thorough review of the quality of service fund (see Chapter 2) reveals that DOs clearly attribute the QSF a positive impact on the beneficiary DOs quality of service. DOs highly agree that the QSF is reaching the intended countries and that it has increased the quality of the international postal network. Overall, two out of three respondents rate the work of the QSF as excellent or good. Only 10% give negative ratings. **This leads to a first conclusion that the QSF can and should continue.** This conclusion is in line with the DO’s view on how to go forward with the QSF: Over 80% agree to either improve or redesign the QSF. The most progressive option of redesigning the QSF to meet the challenges of the global postal landscape receives the highest acceptance rate with 84.5%.

To identify how the QSF could be improved, economic theory and other funds were reviewed, market and regulatory developments analyzed, options for change elaborated, and survey results on the future QSF consulted. Based on this work, directions and principles for improving the QSF were derived, a new future QSF goal was developed, namely “**Measurably improving quality of service, weak links and sustainability of the global UPU postal network**”, and five **main directions for improvement** were identified and addressed:

1. **Extending the scope of the QSF** to cross-border network elements including outbound and e-commerce to enhance the global UPU supply chain.
2. **Introducing complementary top-down elements** to propose global and regional projects. To finance such projects, a common QSF account is introduced.
3. **Ensuring the use of funds** by transferring unused contributions to the common account.
4. **Address the fund’s future** by applying a moderate markup to group 3 countries to sustainably fund the common account.
5. **Enhance the measurability of projects** by defining and applying output-oriented quality indicators.

To implement these directions of improvement, three specific models have been developed and evaluated against six predefined evaluation principles. Also, an impact analysis has been performed. Model descriptions, evaluation principles and evaluation results are shown in Table 18.

Table 18: Evaluating three future QSF models

	Model A	Model B	Model C
Description	Extended scope, unused funds after 2 years into common account	Extended scope, unused funds after 2 years into common account, 2% G3 markup for common account	Extended scope, transition to one common account with 2% G3 markup, competitive project selection mechanism
Addresses main findings			
Scope, use of funds	✓	✓	✓
Project proposal	✓ / ✗	✓	✗ / ✓
Fund’s future	✗	✓	✓
Evaluation criteria			
Goal orientation	■	■	■
Value orientation	■	■	■
Necessity	■	■	■
Subsidiarity	■	■	■

Accountability	■	■	■
Equivalence	■	■	■
Impact analysis			
Sustainability of fund	×	✓	✓
Effectiveness	×	✓	✓

Source: Swiss Economics

The evaluation reveals that model B clearly outperforms. Model B extends the scope of the fund, introduces complementary top down elements to propose global and regional projects, foresees a new common account to fund such projects, provides balanced measures to ensure the use of funds and increases the measurability of projects. The main features of Model B compared to the current QSF are summarized in Table 19.

Model B (and only model B):

- best addresses the five main findings of the review;
- provides the best fit with the evaluation criteria;
- ensures the fund’s sustainability, stabilizing at 70% of today’s size;
- can effectively unlock the potential to improve the UPU’s supply chain;
- best meets the DOs expectations.

It is hence recommend to propose model B to congress and take the necessary steps to get Model B effective as of 1 January 2018.

Table 19: Main features of the recommended model B

Elements	Application	Status
Scope of fund-able projects	<ul style="list-style-type: none"> ▪ Letters, small packets, light weight parcels ▪ Supply chain infrastructure elements (including out-bound) ▪ QDP as a precondition for funding, QDP must base on QSF goal and priorities defined by POC ▪ Projects must improve specific dimensions of QoS 	<ul style="list-style-type: none"> ▪ Enhanced. Current: letters ▪ Enhanced Current: primarily inbound ▪ New ▪ Enhanced. Current: no specific link to QoS
Project selection	<ul style="list-style-type: none"> ▪ Bottom-up projects submitted by beneficiary DOs and any group 2-5 country from common account ▪ Global and regional projects using top-down 	<ul style="list-style-type: none"> ▪ Enhanced. Current: only beneficiaries ▪ New. Current – only bottom-up approach
Funding	<ul style="list-style-type: none"> ▪ Funding based on country Group 	<ul style="list-style-type: none"> ▪ Enhanced. Current – funding based on TD status (transition or target)
Unused funds	<ul style="list-style-type: none"> ▪ Funds that are unused after 2 years from the last QSF payment will be transferred to new common account 	<ul style="list-style-type: none"> ▪ New.
Common account	<ul style="list-style-type: none"> ▪ Fed by unused funds and mark-up on TD to group 3 countries 	<ul style="list-style-type: none"> ▪ New.

Source: Swiss Economics

6 References

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I Data sources and survey response rates

I.1 QSF Project database

The QSF database includes the following information's for registered projects:

- Project number;
- Title given by the operator and possible slightly amended/corrected by the QSF Secretariat and/or the Board of Trustees;
- Country that submitted the project;
- QSF Budget. It is always the latest approved QSF budget. Depending on the status the project is in, the QSF budget may vary. Projects that were registered but then withdrawn, cancelled or refused show zero in QSF budget. No information on changes in QSF Budgets are available;
- Phase comprises several statuses;
- Region;
- Project nature identifies global, regional, joint and national projects;
- Project Statistics include 22 different categories of projects;
- Dates at which the proposal was received or approved respectively;
- Date of approval of the final report.

789 projects are registered in the project database as of May 13.

Results of the external evaluation are not included in the database and available as Word-Documents only. For the evaluation of the external evaluation a random sample was generated. The basic population was defined by 267 projects, assigned to the status "evaluated" in the database.

The results of the numerical evaluation are imported to an Excel file and merged with the project database.

I.2 QSF financial data

Financial data are not available in standardized form for the period 2001 – 2014. Therefore it was difficult to construct meaningful time series from the data. The following data were provided by the financial department:

- Balance sheets and income statements as excel files, pdfs or word files. Level of aggregation changed from year to year;
- Payments to the fund are document in different forms:
 - Settlement of CN64bis for 2001 and 2002;
 - List of debtors for 2007, 2008 and 2009;
 - Invoices for 2011, 2012, 2013, 2014;
 - No data available for 2003, 2004, 2005, 2006 and 2010;
- Country capital statements for the period 2008 – 2014 reporting opening balance, earnings, and expenses for fund management per year.

I.3 QSF Survey with contributing and beneficiary DOs

To complement the review and analysis with information from all stakeholder, a comprehensive survey was designed, conducted and evaluated by Swiss Economics.

The survey was conducted from July to August 2015. The survey included four main parts:

- **Part A:** Questions on QSF operational processes (Part A1 and A2 for processes related affecting beneficiary and contributing DOs)
- **Part B:** Questions on projects supported by the QSF (Part B)
- **Part C:** Question on the overall impact of the QSF (Part C)
- **Part D:** Questions on the future of the QSF (Part D).

The survey parts were directed to the different stakeholders according to **Table 20** online by e-mail in French and English. Respondents that indicated difficulties with the online questionnaire were provided with a physical version.

Table 20: Stakeholder involvement

Stakeholder group	Part A1, A2	Part B	Part C	Part D	Questionnaire type
BoT	X, X	X	X	X	Type 1
QSF ad hoc group			X	X	Type 2
International relations directors			X	X	Type 2
QSF national coordinators from beneficiary DOs	X, -	X			Type 3
QSF national coordinators from contributing DOs	-, X				Type 4
QSF national coordinators from beneficiary and contributing DOs	X, X	X			Type 5
IB QSF secretariat	X, X	X			Type 5
IB			X	(X)	Type 2

Source: Swiss Economics

Table 21 reports the response rates, with column 2 and 3 indicating the number and percentage of received replies, and column 4 and 5 showing the number and percentage of countries with at least one answer. The questionnaire was sent to 544 persons. Their mail addresses were provided by the IB. Many addressees were invalid and it was not clear how many did not receive the questionnaire. Effective response rates are hence higher. The answer patterns were overwhelmingly consistent; only 8 answers had to be excluded (5 double entries; 1 invalid code; 1 inconsistent/incomplete, 1 received after evaluation was finished).

Given that participation was voluntary, the response rates are very good overall, among country groups and regions. The important type 1 and 2 questionnaires with answers on the impact and future of the QSF account for about 50% of answers and countries.

All members of the BoT and almost all of the QSF ad hoc group provided their feedback.

Table 21: Survey response rates

Per country group				
Country group	Number of replies	%	Number of countries	%
1.1	41	60%	21	72%
1.2	7	19%	4	31%
2	24	40%	12	52%
3	48	45%	27	71%
4	53	35%	37	70%
5	26	29%	20	43%
	199		121	60%
UPU	6	60%	1	100%
INT	2	10%	1	100%
	8		2	
Total	207		123	

Per region ¹⁹				
Region	Number of replies	%	Number of countries	%
Asia Pacific	31	30%	20	47%
Eastern Europe & North Asia	37	40%	22	71%
Arab	12	22%	8	44%
Europe	28	54%	15	68%
Africa	43	40%	28	62%
Caribbeans	17	28%	7	32%
Latin America	27	47%	19	95%
North America	6	100%	2	100%
UPU	6	60%		
Total	207	38%	121	60%

Source: Swiss Economics

¹⁹ International respondents (INT) distributed to regions.

II Appendix: Survey questions and answer options

Question	Answer options					
1: Code	Text					
2: Country / domestic operator	Text					
3: Title of respondent	Text					
Part A1 – Processes of beneficiary DOs						
4: How do you assess the process of drafting, submitting and consideration of a QSF project proposal [Pertinent information on the QSF and project application process]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
4: How do you assess the process of drafting, submitting and consideration of a QSF project proposal [Support in drafting the proposal from QSF team]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
4: How do you assess the process of drafting, submitting and consideration of a QSF project proposal [User-friendliness of QSF project application form (PAF)]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
4: How do you assess the process of drafting, submitting and consideration of a QSF project proposal [Transparency of selection criteria]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
4: How do you assess the process of drafting, submitting and consideration of a QSF project proposal [Length of decision making from submission to official response from QSF team]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
4: How do you assess the process of drafting, submitting and consideration of a QSF project proposal [Communication of the Board's decision]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
5: How do you assess the process of project monitoring? [Coverage of information in the letter of unconditional approval]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
5: How do you assess the process of project monitoring? [Information on QSF rules regarding procurement]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
5: How do you assess the process of project monitoring? [Extent and content of inception, interim and final reports]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
5: How do you assess the process of project monitoring? [Payment process accuracy and promptness]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
5: How do you assess the process of project monitoring? [Useful information on the process of project change request]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
5: How do you assess the process of project monitoring? [Ease of contacting QSF secretariat]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
6: How do you assess the process of project evaluation? [Focus on key performance indicators (KPIs)]	5 - very beneficial	4	3	2	1 - not beneficially at all	No answer
6: How do you assess the process of project evaluation? [Feedback on the final report provided by the Board of Trustees]	5 - very beneficial	4	3	2	1 - not beneficially at all	No answer
6: How do you assess the process of project evaluation? [Need for follow-up reports]	5 - very beneficial	4	3	2	1 - not beneficially at all	No answer
6: How do you assess the process of project evaluation? [Evaluation by an external consultant]	5 - very beneficial	4	3	2	1 - not beneficially at all	No answer
7: How do you assess the timing of the evaluation by an external consultant in relation to the approval of the final report?	5 - very beneficial	4	3	2	1 - not beneficially at all	No answer
8: In your opinion, could the end-to-end process of QSF projects (application - processing - consideration - monitoring - evaluation) be improved? If no, why? If yes, how?	Text					
Part A2 – Processes of contributing DOs						
9: How do you assess the process of QSF billing? [Link to terminal dues per country group]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Transparency and understanding of the QSF billing process]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Simplicity of C61 / C 64 forms]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Administrative work for QSF billing]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Ease of contacting QSF finance team]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Frequency of QSF billing]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer

9: How do you assess the process of QSF billing? [Communication with the QSF Secretariat]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Terms of payment]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
9: How do you assess the process of QSF billing? [Choice of means of payment and flexibility]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
10: In your opinion, could the QSF billing process be improved? If no, why? If yes, how?	Text					
Part B – Questions related to projects of beneficiaries						
11: How many proposals for national projects has your organization submitted to the QSF since 2001?	Number					
12: Total amount in USD	Number					
13: How many of the proposals were approved?	Number					
14: Total amount in USD	Number					
15: If some projects were not approved, why?	Text					
16: How do you evaluate the QSF national projects implemented by your organization overall? [Relevance of the projects to postal development priorities]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
16: How do you evaluate the QSF national projects implemented by your organization overall? [Impact on quality of service of inbound letters]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
16: How do you evaluate the QSF national projects implemented by your organization overall? [Economic viability of the projects]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
16: How do you evaluate the QSF national projects implemented by your organization overall? [Meeting the aims and general objectives of the projects]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
16: How do you evaluate the QSF national projects implemented by your organization overall? [Sustainability of the projects]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
16: How do you evaluate the QSF national projects implemented by your organization overall? [Overall rating]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
17: In your organization, did the QSF enable the introduction and/or maintenance of the Global Monitoring System (GMS)? If not, why not, if yes, how?	Text					
18: Besides local (i.e. national projects), did your organization also participate in regional or global projects?	yes	no				
19: If yes, please specify how regional/global projects performed relative to local/national ones. If the performance was different, please indicate possible reasons.	Text					
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Awareness of quality issues pertaining to inbound letter post]	5 - strong impact	4	3	2	1 - no impact at all	No answer
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Formulate a quality development plan]	5 - strong impact	4	3	2	1 - no impact at all	No answer
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Identify processes critical for overall quality]	5 - strong impact	4	3	2	1 - no impact at all	No answer
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Implementing a total quality management system]	5 - strong impact	4	3	2	1 - no impact at all	No answer
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Improve automation of processes]	5 - strong impact	4	3	2	1 - no impact at all	No answer
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Improve performance / speed]	5 - strong impact	4	3	2	1 - no impact at all	No answer
20: How do you assess the impact of the QSF on beneficiary DOs (Creditors) regarding the following topics? [Improve monitoring systems (e.g. track & trace)]	5 - strong impact	4	3	2	1 - no impact at all	No answer
21: Since 2001, how important has the support of the QSF been to increase quality of service in your organization?	5 - very important	4	3	2	1 - not important at all	No answer
22: Comments related to individual projects and their impact on quality	Text					
Part C – Questions on the overall impact of the QSF						
23: Please indicate whether you agree with the following statements. [The QSF reaches the intended target countries]	5 - fully agree	4	3	2	1 - no not agree	No answer
23: Please indicate whether you agree with the following statements. [The QSF reaches a too high financial volume]	5 - fully agree	4	3	2	1 - no not agree	No answer

23: Please indicate whether you agree with the following statements. [The QSF supports the right kind of projects]	5 - fully agree	4	3	2	1 - no not agree	No answer
23: Please indicate whether you agree with the following statements. [The QSF has increased the quality of the international postal network]	5 - fully agree	4	3	2	1 - no not agree	No answer
23: Please indicate whether you agree with the following statements. [The QSF is meeting the needs that led to its creation]	5 - fully agree	4	3	2	1 - no not agree	No answer
23: Please indicate whether you agree with the following statements. [The goals of the QSF are described appropriately]	5 - fully agree	4	3	2	1 - no not agree	No answer
23: Please indicate whether you agree with the following statements. [The QSF is meeting its objectives]	5 - fully agree	4	3	2	1 - no not agree	No answer
24: How do you assess the QSF with respect to the following topics? [Financial situation of the QSF (Trust budget)]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
24: How do you assess the QSF with respect to the following topics? [Administrative cost of the Trust]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
24: How do you assess the QSF with respect to the following topics? [Achievement of objectives]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
24: How do you assess the QSF with respect to the following topics? [Financial performance of the Fund]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
24: How do you assess the QSF with respect to the following topics? [Cost-benefit ratio]	5 = very satisfied	4	3	2	1 - very dissatisfied	No answer
25: What is your rating for the overall work of the QSF?	5 - excellent	4	3	2	1 - weak	No answer
26: Comments related to the impact of the QSF	Text					
Part D1 – Future QSF funding						
27: In your opinion, provision of funds by contributing DOs should be based on what principles [Volume of outbound items]	yes	no				
27: In your opinion, provision of funds by contributing DOs should be based on what principles [Total turnover]	yes	no				
27: In your opinion, provision of funds by contributing DOs should be based on what principles [PDI (postal development index)]	yes	no				
27: In your opinion, provision of funds by contributing DOs should be based on what principles [Other measure (please describe below)]	yes	no				
28: If "other measure" chosen, please specify	Text					
29: Which product categories should be subject to QSF contributions (today: letter mail)? [Letters]	yes	no				
29: Which product categories should be subject to QSF contributions (today: letter mail)? [Small packages]	yes	no				
29: Which product categories should be subject to QSF contributions (today: letter mail)? [Parcels]	yes	no				
29: Which product categories should be subject to QSF contributions (today: letter mail)? [EMS]	yes	no				
29: Which product categories should be subject to QSF contributions (today: letter mail)? [E-commerce products]	yes	no				
29: Which product categories should be subject to QSF contributions (today: letter mail)? [Other]	yes	no				
30: Which country groups should provide funds [Group 1.1]	yes	no				
30: Which country groups should provide funds [Group 1.2]	yes	no				
30: Which country groups should provide funds [Group 2]	yes	no				
30: Which country groups should provide funds [Group 3]	yes	no				
30: Which country groups should provide funds [Group 4]	yes	no				
30: Which country groups should provide funds [Group 5]	yes	no				
Part D2 – Future QSF spending						
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Country group]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Level of development]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Volume of inbound items]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Relevance of the project for the international postal network]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer

31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Quality of project proposals]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Priority of the UPU strategy]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Sustainability of the project]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
31: Allocation: What criteria should be taken into account for the allocation of QSF resources? [Other criteria - please specify below]	5 - Main Criterion	4	3	2	1 - Not a criterion at all	No answer
32: If "other criteria" chosen, please specify	Text					
33: If country groups continue to be a criterion, which ones should receive QSF funds? [Group 1.1]	yes	no				
33: If country groups continue to be a criterion, which ones should receive QSF funds? [Group 1.2]	yes	no				
33: If country groups continue to be a criterion, which ones should receive QSF funds? [Group 2]	yes	no				
33: If country groups continue to be a criterion, which ones should receive QSF funds? [Group 3]	yes	no				
33: If country groups continue to be a criterion, which ones should receive QSF funds? [Group 4]	yes	no				
33: If country groups continue to be a criterion, which ones should receive QSF funds? [Group 5]	yes	no				
34: Which product categories should be subject to QSF contributions to improve quality? [Letters]	yes	no				
34: Which product categories should be subject to QSF contributions to improve quality? [Small packages]	yes	no				
34: Which product categories should be subject to QSF contributions to improve quality? [Parcels]	yes	no				
34: Which product categories should be subject to QSF contributions to improve quality? [EMS]	yes	no				
34: Which product categories should be subject to QSF contributions to improve quality? [E-commerce products]	yes	no				
34: Which product categories should be subject to QSF contributions to improve quality? [Other]	yes	no				
35: Ownership of funds: Whom should collected QSF funds belong to [Belong to the individual beneficiary DOs]	yes	no				
35: Ownership of funds: Whom should collected QSF funds belong to [Belong to country groups of beneficiary DOs]	yes	no				
35: Ownership of funds: Whom should collected QSF funds belong to [Belong to beneficiary DOs altogether]	yes	no				
35: Ownership of funds: Whom should collected QSF funds belong to [Belong to contributing DOs altogether until projects are commissioned]	yes	no				
35: Ownership of funds: Whom should collected QSF funds belong to [Belong to the UPU until projects are commissioned]	yes	no				
36: Comments related to QSF spending	Text					
Part D3 – Future project selection principles and governance						
37: On the basis of which criteria should projects be selected? [Priority fields as defined by the POC]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
37: On the basis of which criteria should projects be selected? [Beneficiary DO priorities]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
37: On the basis of which criteria should projects be selected? [Complementarity among projects]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
37: On the basis of which criteria should projects be selected? [Co-financing rates]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
37: On the basis of which criteria should projects be selected? [Projects should have measurable and visible results]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
37: On the basis of which criteria should projects be selected? [Project should be sustainable]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
37: On the basis of which criteria should projects be selected? [Other criteria, please specify below]	5 - main criterion	4	3	2	1 - not a criterion at all	No answer
38: If "other criteria" chosen, please specify	Text					
39: Coverage: Should projects be concentrated on a limited number of countries or should they ensure broad coverage of countries?	5 - Broad coverage	4	3	2	1 - Concentrated	No answer

40: Multilaterality: Should the QSF focus on national or multilateral projects related to quality of service? [National projects]	focus	con- sider	not fund at all				
40: Multilaterality: Should the QSF focus on national or multilateral projects related to quality of service? [Bilateral projects (two countries involved)]	focus	con- sider	not fund at all				
40: Multilaterality: Should the QSF focus on national or multilateral projects related to quality of service? [Regional projects]	focus	con- sider	not fund at all				
40: Multilaterality: Should the QSF focus on national or multilateral projects related to quality of service? [Global projects]	focus	con- sider	not fund at all				
41: Range: Would you prefer limited classes of fundable projects or a more broad range?	5 - broad range	4	3	2	1 - limited range	No answer	
42: Please specify further what kind of projects the QSF should fund (and which ones not)	Text						
43: Bottom up vs. top down: Should projects be proposed bottom up (from local DOs) or more top down (e.g. from IB, BoT, etc.)?	5 - Top down	4	3	2	1 - Bottom up	No answer	
44: To what extent should the QSF secretariat... [... identify reasonable projects]	1	0.75	0.5	0.25	0	No answer	
44: To what extent should the QSF secretariat... [... coordinate the selection of projects]	1	0.75	0.5	0.25	0	No answer	
44: To what extent should the QSF secretariat... [... prioritize projects]	1	0.75	0.5	0.25	0	No answer	
44: To what extent should the QSF secretariat... [... manage projects on national level]	1	0.75	0.5	0.25	0	No answer	
44: To what extent should the QSF secretariat... [... evaluate projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... identify reasonable projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... coordinate the selection of projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... prioritize projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... govern projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... approve projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... evaluate projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... demand audits of projects]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... govern the QSF fund]	1	0.75	0.5	0.25	0	No answer	
45: To what extent should the Board of Trustees (BoT)... [... other duties, please specify below]	1	0.75	0.5	0.25	0	No answer	
46: If "other duties" chosen, please specify	Text						
47: Comments related to project selection principles and QSF governance	Text						
Part D4 – Overall future of the QSF							
48: What should be the goals of the QSF in the future? [Increase quality of global postal network]	5 - main focus / objective of the QSF	4	3	2	1 - not a focus / objective of the QSF	No answer	
48: What should be the goals of the QSF in the future? [Improve weak links of global postal network]	5 - main focus / objective of the QSF	4	3	2	1 - not a focus / objective of the QSF	No answer	
48: What should be the goals of the QSF in the future? [Increase competitiveness of UPU global postal network]	5 - main focus / objective of the QSF	4	3	2	1 - not a focus / objective of the QSF	No answer	
48: What should be the goals of the QSF in the future? [Other goal, please specify below]	5 - main focus / objective of the QSF	4	3	2	1 - not a focus / objective of the QSF	No answer	
49: If "other goal" chosen, please specify	Text						
50: To which products should the above goals relate to?	Letters services	Parcels services	Ex- press	E-Commerce services			

		ser- vices
51: The QSF should be.... [stopped]	agree	disagree
51: The QSF should be.... [kept as is (and thereby reduced over time)]	agree	disagree
51: The QSF should be.... [improved in selected aspects]	agree	disagree
51: The QSF should be.... [redesigned to meet the changing postal landscape]	agree	disagree
52: What are the lessons learned from 14 years QSF for the future?	Text	
53: Comments and ideas to improve the QSF	Text	
54: My answers can be disclosed to the IB and QSF ad hoc Group	Yes, including my identity (name / country / operator)	
	Yes, but without my identity (name / country / operator)	
	No, only Swiss Economics is allowed to see and evaluate this questionnaire	

III Appendix: Country Groups

Group 1.1 – List of countries and territories that were in the target system prior to 2010 that apply the target terminal dues system during the period from 2014 to 2017, and that contribute to the QSF as provided for in article 32 of the Convention.

Countries and territories
Australia (incl. Norfolk Island)
Austria
Belgium
Canada
Denmark (incl. Faroe Island and Greenland)
Finland
France
French Overseas Territories (incl. French Polynesia, New Caledonia, Wallis and Futuna Islands)
Germany
Great Britain (United Kingdom of Great Britain and Northern Ireland, Guernsey, Isle of Man, Jersey)
Greece
Iceland
Ireland
Israel
Italy
Japan
Liechtenstein
Luxembourg
Monaco
Netherlands
New Zealand
Norway
Overseas Territories (United Kingdom of Great Britain and Northern Ireland): Falkland Islands (Malvinas), Gibraltar, Pitcairn Islands, Tristan da Cunha
Portugal
San Marino
Spain
Sweden
Switzerland
United States of America
Vatican

Group 1.2 – List of countries and territories that joined the target system in 2010

Countries and territories
Aruba
Bahamas
Hong Kong, China

Kuwait

Overseas Territories (United Kingdom of Great Britain and Northern Ireland): Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Turks and Caicos Islands.

Qatar

Singapore

Slovenia

United Arab Emirates

Group 2 – List of countries and territories that joined the target system in 2012

Countries and territories

Antigua and Barbuda

Bahrain (Kingdom)

Barbados

Brunei Darussalam

Croatia

Curaçao

Cyprus

Czech Rep.

Dominica

Estonia

Grenada

Hungary

Korea (Rep.)

Macao, China

Malta

Territory under New Zealand: Cook Islands

Overseas Territories (United Kingdom of Great Britain and Northern Ireland): Montserrat

Poland

Saint Christopher (St. Kitts) and Nevis

Saudi Arabia

Sint Maartin

Slovakia

Trinidad and Tobago

Group 3 – List of countries and territories that apply the transition system provisions up to 2015 and the new target provisions as of 2016 that benefit from and contribute to the QSF as provided for in article 32 of the Convention

Countries and territories

Argentina

Belarus

Bosnia and Herzegovina

Botswana

Brazil
Bulgaria (Rep.)
Chile
China (People's Rep.)
Costa Rica
Cuba
Fiji
Gabon
Jamaica
Kazakhstan
Latvia
Lebanon
Libya
Lithuania
Malaysia
Maldives
Mauritius
Mexico
Montenegro
Nauru
Territory under New Zealand: Niue
Oman
Panama (Rep.)
Romania
Russian Federation
Saint Lucia
Saint Vincent and the Grenadines
Serbia
Seychelles
South Africa
Suriname
Thailand
the former Yugoslav Republic of Macedonia
Tunisia
Turkey
Ukraine
Uruguay
Venezuela (Bolivarian Rep.)

Group 4 – List of countries and territories that apply the transition terminal dues system during the period from 2014 to 2017 and that benefit from the QSF as provided for in article 32 of the Convention

Countries and territories

Albania
Algeria
Armenia
Azerbaijan
Belize
Bolivia
Cameroon
Cape Verde
Colombia
Congo (Rep.)
Côte d'Ivoire (Rep.)
Dem People's Rep. of Korea
Dominican Republic
Ecuador
Egypt
El Salvador
Georgia
Ghana
Guatemala
Guyana
Honduras (Rep.)
India
Indonesia
Iran (Islamic Rep.)
Iraq
Jordan
Kenya
Kyrgyzstan
Moldova
Mongolia
Morocco
Namibia
Territory under New Zealand: Tokelau
Nicaragua
Nigeria
Overseas Territories (United Kingdom of Great Britain and Northern Ireland): Ascension, St Helena
Pakistan
Papua New Guinea
Paraguay
Peru
Philippines
Sri Lanka
Swaziland
Syrian Arab Rep.

Tajikistan
Tonga
Turkmenistan
Territory under United States of America: Samoa
Uzbekistan
Viet Nam
Zimbabwe

Group 5 – List of countries and territories that apply the transition terminal dues system during the period from 2014 to 2017 and that benefit from the QSF as provided for in article 32 of the Convention

Countries and territories
Afghanistan
Angola
Bangladesh
Benin
Bhutan
Burkina Faso
Burundi
Cambodia
Central African Rep.
Chad
Comoros
Democratic Republic of the Congo
Djibouti
Equatorial Guinea
Eritrea
Ethiopia
Gambia
Guinea
Guinea-Bissau
Haiti
Kiribati
Lao People's Dem. Rep.
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Myanmar
Nepal

Niger

Rwanda

Sao Tome and Principe

Senegal

Sierra Leone

Solomon Islands

Somalia

South Sudan

Sudan

Tanzania (United Rep.)

Timor-Leste (Dem. Rep.)

Togo

Tuvalu

Uganda

Vanuatu

Western Samoa

Yemen

Zambia

Palestine²⁰

²⁰ Palestine has observer status within the UPU by virtue of resolution C 115/1999 of the Beijing Congress.

IV Appendix: Questionnaire for external evaluation

A	Relevance	Rating/scale
1	Relevance of the project to the postal development priorities	
2	Focus of the project on the QSF objective	
B Implementation		
3	Appropriateness of the design of the project for achieving the objectives/outputs	
4	Adequacy of quantification of the criteria or performance indicators for judging the achievement of objectives/outputs	
5	Adoption of the prescribed procedures for procurement of material	
6	Adoption of the prescribed procedures for procurement of services	
7	Spending of the funds as per allocation to each activity	
8	Cost-effectiveness of the project	
9	Implementation of the project in stipulated time	
C Performance		
10	Meeting of the aims and general objectives of the project	
11	Achievement of the level of performance targeted on completion of the project	
12	Contribution of the consultant/consultancy services towards achieving the objectives of the project	
13	Contribution of the staff specially recruited towards achieving the objectives of the project	
14	Contribution of the procurement of material/equipment towards achieving the objectives of the project	
15	Appropriateness of project management	
16	Adequacy of project resources (manpower and financial)	
17	Sustainability of the project, defined as the probability of its maintaining the achievements generated or expected to be generated in relation to its objective over the economic life of the project	
Overall rating of the project		2

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