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The Role of Postal Networks in Expanding Access to Financial Services

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Disclaimer

This report was prepared by staff from the World Bank Group's Global Information and Communication Technologies Department (GICT), in close coordination with staff from the Financial and Private Sector Department as well as the CGAP Group. The findings, interpretations, and conclusions expressed herein do not necessarily reflect the views of the Board of Executive Directors of the World Bank or the governments they represent.

CONTENTS

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BACKGROUND

1. This Discussion Paper builds on the findings and conclusions of a study commissioned by the Global Information and Communication Technologies (GICT) Department of the World Bank and carried out by ING Bank in March 2004, "*The Role of Postal Networks in Expanding Access to Finance.*"[1]

2. The study comprises a review of about 60 developing countries in five regional landscapes, based mainly on secondary data (see Annexes 1 and 2). It provides a further in depth analysis of seven of those countries (Egypt, Kazakhstan, Namibia, Romania, Sri Lanka, Uganda, Vietnam) chosen for their most valuable features in terms of successful business model or reform failure, and the lessons that can be drawn from them. The study provides a unique insight into the worldwide provision of postal financial services. It identifies the strengths, weaknesses, opportunities, and threats faced by the postal sector—from a financial sector perspective and from a communication sector angle (traditional postal and information technology-based communication services). It also documents elements of best practice. Lastly, it offers a variety of strategic options covering several dimensions (policy, legal, regulatory, institutional, technology, capacity building, and corporate strategies). A limited number of country case studies are included in this paper to present a concise story. Readers may consult the full description in the five regional landscapes or the seven country studies found in Volume II of this paper.

3. This paper builds on the analytical findings of the study as well as on World Bank operational experiences over the past few years in postal financial services reforms (see Annex 3). The paper seeks primarily to raise awareness and share knowledge among policy makers and champions of reform. It shows the potential offered by post offices in the agenda of access to finance, and summarizes some enabling prerequisites and key success factors. Finally, the paper shares lessons learned and recommendations that target the stakeholders of reform.

4. The World Bank[2] and other international agencies[3] are engaged in developing strategies to increase access to finance to the poor, based on the evidence that financial sector policy can help the poor, and financial sector development has an impact on economic growth.[4] In their recently published handbook on financial sector assessment,[5]

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[1] "The role of postal networks in expanding access to financial services" – World Bank (CITPO, GICT) and PostBank Advisory INGBank, 2004. An edited version of the study (284 pages) is intended to be uploaded on the World Bank website shortly.

[2] The Financial Sector Department publishes "Access Finance" Newsletter which contains a complete and updated overview of all stakeholders' contributions to the topic.

[3] *Inter alia,* the International Monetary Fund, the Universal Postal Union (www.upu.int.org), the United Nation Development Program (http://www.uncdf.org/english/microfinance), the UK Department for International Development (http://www2.dfid.gov.uk), as well as organizations such as the World Savings Banks Institute (http://www.savings-banks.com).

[4] "Financial sector policy and the poor – Selective findings and issues" – WB Working Paper no.43 "The importance of financial sector development for growth and poverty reduction" – DFID Policy Division Working Paper, August 2004 - http://www2.dfid.gov.uk/pubs/files/finsecworkingpaper.pdf

the World Bank and the International Monetary Fund provide updated guidance related to the regulation and supervision for rural and microfinance institutions, including the postal savings banks. Analysis and recommendations in this paper complement this guidance, notably, regarding the financial soundness prudent regulatory framework.

Terminology

- The postal branch network refers to the brick and mortar branches, offices, agencies or outlets of the post office, which usually owns them—the paper discusses this model. In some countries (Sweden), the postal branches are not owned by the post office, but are private franchises.

- In addition to collecting and distributing mail and parcels, the core postal activity, of the postal branch network can also be used to distribute financial services. These postal financial services traditionally range from payments services, transferring money (cash-to-cash, cash-to-account, or account-to-cash) or collecting savings deposits. In some countries (17 out of the 60 countries screened in the reference study), the financial services also include granting retail credits or selling insurance products, either directly by the postal bank (with a proper banking license) or on behalf of a commercial bank with a partnership (the post office acts as an agent).

- The Postbank and postal savings bank are concepts that cover different realities in different countries; this paper uses them to refer to financial institutions using post offices to aim at the low income rural households regardless of their legal and institutional dimension.

INTRODUCTION

The topic of postal networks is at the intersection of three major political debates:

(a) In most countries, the authorities are concerned with improving the efficiency of public spending in order to control public deficits and debt. One of the issues this debate is the postal organization, since in most countries, handling mail—the core activity of the post office—is in permanent deficit. This affects the government's budget, since in most countries the post office is still state-owned. Structural reforms are underway, which usually aim at two targets: to increase efficiency in the core activities, and to generate more revenue by distributing more products and services through their network.[6]

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[5] "Financial sector assessment – A Handbook" – World Bank and International Monetary Fund, September 2005, http://www.imf.org/external/pubs/ft/fsa/eng/index.htm

[6] For more details on this debate, see: The Postal Sector in Developing and Transition countries - Contributions to a Reform agenda - Edited by Pierre Guislain, June 2005, Washington DC, the World Bank.

(b) Another issue that attracts the attention of the international community is the debate on the lack of access to finance. In most developed economies 90 percent or more of the total population has easy access to basic financial services, in the developing world it is the opposite in—in many countries 90 percent or more of the population is excluded from this access. In recent years there has been a stream of research and reports showing the close relationships between the degree of access to finance in a country, the degree of poverty in that country, and the level of economic development and welfare.[7]

Against this background, in the last decade the common response was to create microfinance institutions, which by design have a focused approach to help the poor by providing easy-to-understand and low-cost basic financial services, tailor-made to their particular needs and circumstances. Although this approach has generated many success stories, there are also many limitations.[8] Without abandoning the microfinance movement, policy makers and researchers have begun to look for alternative distribution channels. Recently a whole range of information and communication technologies (ICT) solutions have been tested (on a pilot basis), for instance allowing financial transactions from a cellular phone. Other brick-and-mortar distribution channels are also considered, particularly, the postal branch network, given its potential for outreach. While the concept of offering of postal financial services is not new for most postal organizations, there are more failures than success stories. The latest challenge is to determine what more can be done to offer postal financial services to the unbanked population, with a view to offer affordable services tailored to their needs, yet insuring that the postal network delivers those services on a sustainable basis.

(c) The postal network can play an active role in the bridging the digital divide policy by interconnecting post offices; by providing intranet and Internet platforms, together with adequate hardware and Internet-based services (e-government, e-commerce) in rural areas—these are the main challenges. These investments will also improve management capacity (through the roll-out of management and information systems [MIS]) and allow the development of new financial services in an efficient and safe environment (for instance, including electronic payments and money transfers). New MIS would help to identify sources of inefficiencies, and would contribute to improving performance, and reducing postal deficits in the long-run.

[7] To be published: Proceedings of the World Bank and Brookings Institute Conference on Access to Finance (Washington 30-31 May 2006).
The UN "Blue Book": Building Inclusive Financial Sectors for Development, New York, 2006 – see: http://www.uncdf.org/bluebook/.

[8] See Brigit Helms, Access for All - Building Inclusive Financial Systems - Capturing 10 years of CGAP experience, CGAP, Washington 2005-2006.
Also: Beyond Microfinance: building inclusive rural financial markets in Central Asia, Edited by Mario B. Lamberte, ADB, 2006, http://www.adb.org/Media/Articles/2006/10473-Central-Asia-microfinance/default.asp.

In summary, a decision must be made whether to integrate the three dimensions: fiscal deficit, access to finance, bridging the digital divide, to allow the definition and implementation of a postal network restructuring strategy.

This paper tackles these issues in two sections, with the ICT dimension appearing as a cross-cutting dimension. In the first section, there is a review of the prerequisites to efficient and effective postal financial services distributed through the postal network. The second section discusses the postal problems surrounding the access to finance agenda.

EXECUTIVE SUMMARY

The postal branch network with some 500,000 branches in the developing world, and twice the number of branches of commercial banks has the potential to be a powerful distribution platform, especially in rural and remote areas. However building and maintaining a network of this dimension is costly and has rarely proven to be profitable.

Therefore, the challenge for the owner of the postal branch network is to maximize the use of the network by increasing the number of services and products that are distributed through it. In many countries, postal financial services have been distributed through the post office but not always in an efficient way. In recent years policy-makers have questioned the relevance of using the post office to distribute financial services in a sustainable way. Yet some success stories (such as the Brazil's Correios-Bradesco strategic partnerships, or Morocco's Poste Maroc model of partnering with multiple financial institutions), show that the postal network can be an effective tool to leverage increased access to finance to the poorest.

This paper attempts to determine the key success factors needed to achieve successful reform at a country level. There is no solution that is one-size-fits-all. Therefore a checklist of prerequisites is suggested to help policymakers and stakeholders, to have an objective debate based on facts and figures and to look clearly into all options and solutions. This debate should lead to each country reaching a national consensus and a long-term vision on the way forward. Only with these in place will the implementation of policy measures have a chance to be successful, as is emphasized in the UN Blue Book on building Inclusive Financial Sectors for Development.

Based on the underlying regional and country reports, it is clear that the postal branch network can be leveraged to promote access to finance and that the divide between success and failure depends on the strength of a clear policy and a strong commitment from the government to deliver the proposed solutions.

I. HOW TO OPTIMIZE THE USE OF THE POSTAL BRANCH NETWORK?

A Brief Overview of History

Why Postal Financial Services?

Three main historical patterns explain the reasons that postal organizations began to offer financial services:

(a) In most countries the government gave a mandate to the post office or postal savings bank, to become an active player in the government's development policy, by being one of the instruments to offer a public service (to promote access to finance) to the unbanked people of the country. Good examples of this are the creation of the Lao Postbank and the Vietnam Postal Savings Company.

Originally, this concept of public service started with payments services. The government viewed the post offices networks as a means to move money (historically through the telegraph network linked to the physical last-mile channel provided by the mail carrier and the post office) and primarily to supply cash to local government offices in rural and remote areas as was done in India and Sri Lanka. Most Western and Central African countries have followed the similar, francophone, model. The offering of savings products soon followed this payments-related public service to further promote access to finance for the poor.

(b) Offering financial products—mainly savings—through the post office can also be a source of easy and inexpensive funding for the government.[9] The collected savings are re-invested by the post office into government bonds or similar public financial short-, medium- or long-term treasury instruments (as practiced in most African countries). Alternatively, the post office acts as an agent of the government by selling directly the treasury instruments, as done in India and Pakistan.

(c) Generate more revenue for the post office by using the existing branch network for the distribution of other products and services on top of their core mail activity (New Zealand and many Asian countries). Thereby, covering fixed costs generated by the universal service branch network, by increasing the volume of transactions or operations that flow through this network. In most countries, the network exists and decisions have to be made on how it can be best used.

[9] Two separate questions, beyond the scope of this Discussion Paper, can be raised: (a) whether channeling postal savings to fund public spending is the best possible allocation of national savings resources, without mentioning the fact that in many instances, savings mobilization is promoted by tax advantages, State guarantee and/or above market pricing, which may raise level-playing field issues; (b) what happens in cases where market rates come down and/or postal branch network costs go up, and the Treasury will prefer to refinance through the capital markets instead of the postal savings, obliging the postal savings bank to suddenly start investing the postal savings assets, a new trade that requires a whole new set of systems and staff.

What Type of Financial Services?

There is more than one answer to this question. In some countries, the post office offers only payment services, either only domestic or only international remittances, or both. In other countries, post offices sell only savings products, the passbook being the most popular product. In some countries post offices can combine both payments and savings and even offer retail credit products such as consumer or housing loans and insurance services. The range of products offered is determined by the legal and regulatory status under which the post office offer a financial services. This legal framework is strongly related to the historical and colonial background of the country, such as models used by Austria, France, the Netherlands, Portugal, Scandinavia, and Russia.

In this context, there are also some institutional paradoxes. In all countries, financial institutions are allowed only to take deposits, if they have a full banking license. This is driven by a concern to protect the deposits of small savers. However most postal savings banks that take deposits, have no full banking license, and are not even subject to regular banking supervision. This oddity can, in some cases, be explained by the direct guarantee provided by the state on postal savings. It was considered that being directly guaranteed by the state, postal savings need not be set under the supervision of the central bank. However ministries of finance are supposed to monitor those deposits through the boards of directors that they usually chair.

In most countries, there is no need for a banking license to grant consumer credit. Yet, in many countries, unless postal savings banks have a full banking license, they are prohibited from offering credit product—a situation that calls for institutional streamlining.

Which Legal Status?

Annex 2 on institutional organization of postal financial services, shows possible models:

- The post office is still part of the ministry or department of posts and telecoms and has no separate legal entity or structure, and is run by the minister (India, Yemen). The provision of financial services, if applicable, is handled in this same legal framework.

- The post office is a separate legal entity but completely state-owned. A dedicated department inside the post office handles the financial services, with no distinct balance sheet or profit and loss table. The common absence of cost accounting system makes it difficult to assess financial performance and sustainability of each line of business.

- The handling of financial services is done by one (or more) separate legal entities, typically the postal incumbent and the postal savings bank (Philippines, Serbia and Montenegro). There can be formal cooperation agreements (service level agreements) on the quality of service, sharing of costs, payment of commissions, accountability, staff training, to determine under which conditions those organizations will work together and share the branch network, and use the postal brand.[10]

- The post office or the postal savings bank is partly or fully owned by private investors (mostly in Eastern European countries) which can turn out to be incompatible with the safeguarding of universal access consideration.

- The post office focuses on its distribution function, leaving the production to a specialized operator, generally one or more commercial banks (Brazil, Malaysia, and United Kingdom). The financial products are sold either under the name of the postal organization (Estonia), or under the name and brand of the specialized operator. An agency agreement binds the postal branch network and the financial institution(s). The post office can select, on a competitive basis, its partner(s), as done by Brazil in the case of the Brazilian Correios which selected Bradesco through a tender process. Still, in other countries (India, Pakistan), the post office sells under an agency agreement (usually not negotiated under commercial terms) treasury bonds and other state-refinancing instruments.

Lessons Learned

Despite the diversity of experiences given in the 60 country reports, some general lessons can be drawn.

(a) L*esson one:* Common features beyond the diversity. Inside this diversity, some common features at the level of the postal savings banks or the offering of postal financial services exist. Table 1 shows a generic SWOT profile:

[10] In several countries, this became a real "stumbling block" and the postal savings bank started to build its own, dedicated branch network (Sri Lanka, Romania, and Uganda). For cost reasons this network started in the major cities only and led to dropping the public service mission originally embedded in postal financial services.

Table 1: Common SWOT Profile[11]

Strengths	Weaknesses
▪ Dense network of post offices (some computerized and interconnected) ▪ Network outreach – located in rural areas ▪ Large number of accounts ▪ Affordable services - low commissions and minimum deposits ▪ Accessible to all; more social and informal environment than banks ▪ Experienced staff used to high volume of transactions ▪ Strategic alliances with banks and financial institutions ▪ Reputation of post office (often positive) ▪ (in some countries) state guarantee and/or tax exemption on savings deposits	▪ Absence of postal sector policy and lack of coordination between financial, ICT and postal policies ▪ Poorly maintained network and poor service quality ▪ Large number of dormant accounts ▪ Political interference in management, lack of accountability and management flexibility (civil service culture) ▪ Market orientation and narrow, fragmented range of products and services ▪ Poor, or lack of, accounting and cost allocation systems and thus high inefficiencies ▪ Regulatory environment limits diversification, asset management and investment autonomy (resources invested in state treasury/gilt-edged titles) ▪ Bypassing capital and money markets ▪ Not supervised by central bank ▪ Lack of marketing, banking and technology skills ▪ Not connected to clearing houses ▪ Loosing market share (less than 3 percent) ▪ Internal clashes between post and provider of postal financial services, because of conflicting missions
Opportunities	**Threats**
▪ Market for retail payments, deposits and micro credit are relatively undeveloped but show fast growth rate ▪ Diversification of products and services such as credit transfers (salaries) to personal accounts or chip card technologies ▪ Utilize existing client database to cross sell new products ▪ Access to Internet, e-commerce and e-government services ▪ Domestic, regional, international remittances ▪ Creation of public-private partnerships	▪ Political opposition to postal reform (some stakeholders may be negatively impacted such as Treasury using postal savings as a seemingly cheap form of funding) ▪ Private sector microfinance institutions offer competitive savings, giros and transfer services ▪ Significant investment required to improve post office infrastructure, technology, security and staff capability ▪ Political interference and labour relations may affect process of reform ▪ Upfront costs and low rate of return on investment

(b) *Lesson two:* The comparatively large outreach of postal outlets. Postal financial services already play an important role in providing access to finance (Table 2), a fact that is often understated.

[11] This does not mean that in each of the 60 countries included in the analysis, these items are equally present and important. It only shows those themes that are considered critical in most countries.

Table 2: Postal Financial Services in Figures (2004 data)

	Post offices	Accounts (million)	Savings ($ billion)	Transactions (million)
Africa	14,750	10	0.5	7
Asia	307,100	335	83.0	354
Europe and Central Asia	110,500	16	4.6	2,820
Latin America and Caribbean	36,700	3	0.3	65
Middle East & North Africa	22,300	26	5.7	94
TOTAL	**491,350**	**390**	**$94.1**	**3,320**

The 500,000 post offices in the developing world represent a level of density almost twice that of the banking network (275,000 braches). In addition, the post office network also has a greater reach into rural/remote/poor areas than do banks. In less than five years this allowed Brazil's Banco Postal to open more then 5 million new accounts.

There are 390 million postal accounts[12] throughout the developing world representing an approximate penetration of 15 percent of the adult population.[13] In view of the total estimated number of accounts provided by double-bottom-line institutions in the developing world (1.4 billion), one can see that postal financial services and postal savings banks are key players. In the debate to improve access to finance they have received less political and public attention, support, and funding than the newly created microfinance institutions. These microfinance institutions have provided about 100 million accounts to the unbanked

(c) *Lesson three:* Postal financial services can be provided under different scenarios and institutional schemes. In most countries, there is a line between the post office (owner of the postal branch network) and the postal savings bank (provider of postal financial services). However technology-driven market evolutions tend to blur this line (traditional set-up).

(i) There can be good reasons to manage the postal branch network outside the core postal organization (Sweden).
(ii) Postal financial services supplied through the postal branch network can also be sold outside this postal branch network, if the postal savings bank creates its own multichannel distribution network: besides using the postal network, they also create a separate dedicated branch network (Romania, Sri Lanka, and Uganda).
(iii) Though nonpostal suppliers can produce postal financial services that are offered through the postal branch network (such as in Brazil and the United

[12] It is clear that big players such as China Post (some 190 million accounts) or India Post (some 130 million accounts) influence heavily these figures, but these are highly populated countries as well.
[13] The WB-ING Postbank Report suggests that some are «dormant» accounts, but it is difficult to assess quantitatively their proportion.

Kingdom). This method of operation eliminates the need for creating a real postal savings bank.

Possible Next Steps

If policy makers and stakeholders are looking for inputs on how to make the best use of the existing postal branch network from a distribution standpoint it is important to define the action points that can be drawn from the lessons learned.[14]

In a sector that continues to be predominantly characterized by state ownership, the first recommendation would be to increase private sector participation. The market and the competitive forces bring the supply to meet the demand. However years of experience with privatization projects in many sectors and industries shows that it is a matter of "when" rather than "if" the private sector should be engaged.[15] Different constraints in the supply and demand call for flexible solutions.[16]

To provide basic financial services through the postal branch network efficiently and on a sustainable basis, a long list of action points and prerequisites can be drawn to illustrate the complexity of a comprehensive postal reform process embedded in a multisector policy (public spending, access to finance, digital divide), as well as underlying issues such as employment.

- Governments need to develop an integrated and comprehensive vision and policy for their financial sector that takes into account the role of all players and anticipates the impact of market forces. The provision of postal financial services needs to be included in those national financial sector development programs, often discussed between ministries of finance, the International Monetary Fund, and the World Bank. While assessing the role of postal financial services, a distinction needs to be made between the post office and its postal branch network, and of the postal savings bank and the postal current accounts (giro) when they are, institutionally, separated.

- The next critical point will be to have a motivated and empowered reform champion in charge of the entire project, at the government level and within the state-owned enterprise.

- Since privatization can be (for certain countries) a medium- to long-term goal, the focus should be on strengthening corporate governance in all the organizations involved. Boards of directors should be constituted of independent and experienced directors who should ensure the appointment of a professional management team preferably selected on a competitive basis. Internal controls,

[14] The access to finance dimension will be covered in the next section.
[15] "Limits to Privatization - how to avoid too much of a good thing", Edited by Ernst Ulrich von Weizsacker - A Report to the Club of Rome – 2005.
[16] "The basic analytics of access to financial services", The World Bank, Thorsten Beck and Augusto de la Torre, March 2006

audit schemes, internal procedures, and MIS should be strengthened. In the financial, sector trust and confidence are built on sound corporate governance with a good track record.

- Since running a postal organization and running a bank are different businesses, with different risks and challenges, requiring different know-how and different management skills, both organizations should be transformed into separate, legal entities with separate boards of directors, supervision, balance sheets, and profit and loss accounts.

  Both entities should have full autonomy under the supervision of their board, regarding their commercial policy and strategies, pricing policies, investments, and asset-liability management assets, and clear performance objectives (i.e., return on equity, return on investment, minimum market share).

  Cross equity participation between the postal branch network and the financial institution that has partnered up with it can help the adoption of a common strategy (with public mission and access to the unbanked remaining core).

- If it is the government's policy that the postal financial services entity should become, in the long-run, a full banking entity offering all banking services additional steps will be needed:

  - Under this scenario (and if still separate entities), the postal bank should be trusted with all postal financial services (savings, payments, giro, remittances) and depart from a product-oriented organization and strategy, towards a comprehensive client and marketing approach.

  - The postal bank should apply for a banking license and be supervised by the banking regulator.

  - The postal bank will have to comply with the international bank accounting and risk monitoring rules (IAS/IFRS), the Basle II CAD requirements, and all regulations related to know-your-customer (including anti-money laundering and combating the financing of terrorism [AML/CFT]).

  - The postal bank should also have access to the domestic and international interbank payment and clearing facilities.

- In some countries, mainly in Africa, where deposits have not been managed with transparency and are transformed into substantial unfunded liabilities, a re-funding effort is necessary at the start of the reform process, together with the preparation of an audited balance sheet (Cameroon, Niger, and Senegal). This can represent a significant fiscal effort for the government, possibly requiring external support from international donor/lending agencies.

- A clear and balanced cooperation agreement between the post office and the postbank on the use of the postal branch network need to be negotiated. This will require a clear insight into the cost structure and cost drivers of both organizations based on commercial accounting systems and cost accounting systems.

- Another issue that requires guidance from the government is whether there is a need for an additional new, separate entity—in charge of only managing and piloting the branch network.[17] This separate distribution channel entity would be more independent from legacy postal influences; and more neutral and open to suppliers needing a very dense distribution network. Therefore, the postal savings bank, and the post office would have to negotiate the conditions and service level agreements to use this network.[18]

- Lastly, significant capacity building is needed to support this multiyear reform program (staff training, ICT infrastructure, and applications). Such investments often require financial support from government or/and borrowing from donors. Public-private partnership can also bring in expertise, experience, procedures, and funding.

If the prerequisites and conditions are in place, the postal branch network is more likely to develop in a sustainable way and on a level-playing field, including financial services in rural and remote areas where there is otherwise market failure.

The next section of this paper discusses the other dimension of the access to finance agenda.

II. BRINGING IN THE DIMENSION OF ACCESS TO FINANCE

Setting the Scene

The international community has focused much attention (and literature) on the issue of access to finance in developing countries.[19] This paper focuses on the potential of leveraging the postal branch network in order to improve access to finance.

A wide range of options are available to governments that wish to improve access to finance—from no intervention, to full nationalization.[20] While some governments

[17] The planned privatization of Japan Post will split the actual company into 4 separate entities: the Post - the postal savings bank (Yucho) - the postal insurance company (Kampo Life Insurance) and the branch management company. See also the country study on Kazakhstan.
[18] This would give the (core) Postal organization more flexibility to see how it wants to fulfill its universal service obligation and allow them to transform actual, very high fixed costs into more variable costs. The WB-ING study indicates that in most countries the branch network would be even more "oversized" if it was to handle solely mail and parcels. Therefore, there is no rational, from a pure management standpoint, for the post office to own and/or to manage the network.
[19] UN 2005 Year of Microcredit; G-8 declarations; etc.
[20] The most extreme and unlikely scenario is nationalizing all financial institutions is not considered here.

focus their intervention on the demand side by providing targeted subsidies and support to the customers unable to pay for the basic financial services,[21] most governments look at incentives on the supply side of the market:

- Put moral pressure and set mandatory rules and regulations on all existing financial players to allow poor people to access to the products and services (South Africa,[22] Community Reinvestment Act 1977 USA).

- Rules and regulations supporting more and/or better customer information and more transparency on the market, for instance on prices and fees (European Union's policies and directives on consumer protection).

- Provide subsidies to institutions that make special efforts to extend outreach and access or to cover for their start-up costs.

- Give better targeted subsidies, tax exemptions, or state guarantees on the products that are offered to the poor, while avoiding market distortions.

- In order to challenge the existing private/commercial financial institutions or in order to fill a gap, the government might prefer to set-up one (or more) specialized state-owned suppliers; for instance, a national savings or development bank, a microfinance institution, or a postal savings bank. Private investors can explore the possibility of investing in equities as partners.

Before making political decisions on which strategy to follow (there is no one-size-fits-all solution), a large public consultation process could be organized by the government or the central bank to debate the direct and indirect economic, social, and financial impacts of various scenarios. [23]

Given the background of the issue, a decision must be made on the detailed policy advice to provide to governments that choose the postal branch network to be a channel of financial service delivery as a means to improve access to finance.

[21] Although such an approach can be very «selective», i.e., only those who really need it will benefit from this government intervention, and put potential service providers in a competitive situation, there are very few examples - see M.Cockburn, Output-Based Aid, March 2005, the World Bank Global Partnership on OBA Output Based Aid, Washington, D.C.
[22] UN Bleu Book, page 98;
[23] Given the size and complexity of the problem, one tool will never be sufficient to do the job. A comprehensive action plan, in which the postal branch network and the postal savings bank are only one of the building blocks, will be needed (see chapters V – VI and VII of the UN Blue Book).

Policy and Corporate Implications

The lower the rate of access to finance in a particular country, the more governmental intervention will be needed. Intervention refers to the degree of policy intervention, and to the degree of equity or ownership. European economic history has shown heavy government intervention in the financial sector during the nineteenth and the beginning of the twentieth centuries.

For the government and the regulator to ensure that smart subsidies meet the development objectives identified in the financial sector policy, postal branch networks benefiting from government's support should be able to demonstrate, in a credible way, that they use those funds efficiently to improve access to basic financial services targeting the poor and the unbanked. This requires: (a) information systems, (b) statistics of activities, (c) information on the population served, and (d) commercial and cost accounting systems—all management instruments that public postal operators in developing countries are only starting to contemplate as necessary tools for discussions with policy makers and regulators.[24]

From the product development angle, post banks should work on an offering that is adapted to the needs of the unbanked people: easy to understand and simple to handle. Improving financial literacy programs and dedicated products to educate the poor on financial services, can help as well to lower the barriers to entry. A big opportunity for postbanks comes when governments engage in programs to reduce cash in circulation (starting with paying civil servants and military personnel) in a current account (instead of cash) or the payment of social security benefits.

Remittances are also looked at as an opportunity[25] for some postal savings banks. This could contribute to the access to finance agenda, especially on the last-mile delivery. Improving cash management in the network and insuring the postal offering can be competitive in an area where multiple operators operate with loyal customers. In most countries postal savings bank are not allowed[26] to be full member of the national interbank payments or clearing systems. This is a handicap *vis-à-vis* their competitors who can process, seamlessly, payments and transfers. The postal savings banks could promote cash-to-account remittances paid on their customers' current or savings accounts, contribute to reduce cash in circulation, and improve the speed of transferring money.

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[24] A difficult question relates to the cost that the postal savings bank should be charged to access the postal branch network? At full cost or marginal cost? Charging marginal cost would equate to subsidize the postal savings bank, which could be justified by the «access to finance» argument, but would ignore the fact that the postal branch bank itself is subsidized for its postal universal service obligations. Several layers of subsidies increase the risk of forbidden cross-subsidies.

[25] For most developing countries these flows represent 10 percent and more of their GDP - see the World Bank report: Global Economic Prospects 2006 - economic implications of remittances and migration, Washington DC 2005.

[26] Mostly based on the fact they are not fully licensed banks.

Anticipating a large number of small amount transactions, automation and straight-through processing will determine the costs and help to lower the barrier to entry for the unbanked. Therefore, investment in ICT infrastructure will be needed for the financial services applications, and to improve overall management and allow Internet access in post offices (allowing access to e-government services and opening opportunities in terms of e-commerce and logistics). This will transform the postal branch network into a player in bridging the digital divide in rural areas while contributing to improving the efficiency of the overall postal organization.

Postal savings bank should also look for cooperation with microfinance institutions (MFIs). Their respective positioning in the financial sector could be complementary. Most MFIs began as microcredit suppliers and have the expertise to handle credit risks, while postal savings banks are more experienced in mobilizing savings and processing payments. With a good policy and within the possibilities offered by the regulatory framework, postal savings banks could provide financial resources to MFIs, at a cost that could be lower that the one prevailing in financial markets. Both parties share the same double-bottom-line philosophy (sustainability and universal service). The creation of separate microcredit schemes by Tanzania Postal Bank[27] and Banco Postal in Brazil are interesting cases. In South Africa with the Mzansi National Initiative and Mexico (Bansefi), the evolution was more along the lines of microfinance institutions using the postal branch network. There are similar plans for KazPost in Kazakhstan and Postbank in Uganda.[28]

III. CONCLUSION

Postal financial services offered through the postal branch network can play an important role in improving access to finance in developing countries. To do so, however, some prerequisites are needed to insure the sustainability of such a model. These prerequisites start with the government's policy vision to build capacity at the postal operator level; improving governance, mobilizing resources for investments; engaging the private sector through partnerships and equity participation; deploying, enabling, and enforcing legal and regulatory framework, and pushing the postal branch network to operate as a business, accountable to its shareholders and focused on the efficient and sustainable delivery of services.

There is no one-size-fits-all when it comes to defining the roadmap for such a turn around. Historical, social, geographical, and economic situations vary among countries. The government should apply an integrated approach of cross-cutting sectoral issues relative to access (access to communication services, access to financial services, and reduction of fiscal drain). This will require coordination with several players: the financial sector, the ICT sector, education and development policies, and migration policies. To ensure that long-term visions and goals are supported by a majority of

[27] See WSBI Perspectives, no 47, Brussels 2004, «the provision of microfinance services by savings banks», page 83-87.
[28] In the meantime approved by the Government of Uganda (25/09/2006).

stakeholders, there must be broad political consensus, and continued progress made by champions of the effort.

Inside this consensus building process, all options should be considered and valued on measurable cost/benefit considerations. It is also important to start with using clear definitions and terminology in this debate: the post office, the postal savings bank, postal financial services and postal branch network, are often used as synonyms, though these can be used to describe very different concepts and should be analyzed and categorized separately in the debate on access to finance.

Before the postal branch network can accomplish its mission, even with the consensus to move forward, several important prerequisites need to be fulfilled, and substantial investments in training and ICTS will be needed,. The reform process will not be an easy one, but as the experience of some countries has shown, the journey can be rewarding.

ANNEX 1

REGIONAL OVERVIEWS

AFRICA

The study reviewed information on postal financial services in 24 of the regions 47 countries. These countries are all actively involved in the provision of postal financial services albeit with a broad diversity in institutional structures, market performance, products and development.

Key Data on Postal Networks and Postal Financial Services	
Population	682 million
Number of Post Offices (per capita)	14,750 (1 post office per 46,250 people)
Number of Banks (per capita)	6,000 (1 bank per 113,700 people)
Number of postal financial transactions	6.9 million
Value of postal financial transactions	$1.6 billion
Postal giro and savings accounts	3.5 to 9.5 million
Postal financial deposits	$220 million to $1.7 billion
Penetration of postal giro or savings accounts	5 percent of adult population

Financial Services Offered					
Payments ✓	**Remittance ✓**	**Savings ✓**	Pensions ×	Insurance ×	Credit ×

Highlights

- It is estimated that only 2 million of the 10 million accounts are active and that 70 percent of these savers are served through less than 1 percent of the post office branches.
- Share of international remittance market is less than 1 percent
- Payments to Government employees made to giro accounts (500,000 people)
- Postal networks not included in programs to upgrade (cashless) payments systems
- 50 percent of countries operate PFS as a separate entity (post office savings bank) of which half are regulated by the respective Central Bank
- 50 percent of countries operate PFS as an integrated part of postal services
- Revenues from mail cannot sustain rural postal networks

Positive Lessons

Botswana – Independent Bank operating exclusively through 113 branches of the postal network (there are 79 banks) with $34 in deposits.

Namibia – 20 percent of adults have a postal saving account (45 percent of all savings accounts). Deposits of $31 million are placed on the interbank market and in Government securities

Zimbabwe – POSB has $276 million in deposits and does offer credit. It's statute changed in 2004 to comply with Reserve Bank of Zimbabwe requirements

Ongoing Reforms

Cameroon – Rehabilitation program to strengthen institutional capacity of postal savings bank

Niger – Preparation underway to create an independent postal bank, accessed through post offices

Senegal – Part of the La Poste liberalization will establish an independent postal bank, accessed through post offices

ASIA

The study reviewed information on postal financial services in 9 of the regions 22 countries. These countries are all actively involved in the provision of postal financial services albeit with a broad diversity in institutional structures, market performance, products and development.

Key Data on Postal Networks and Postal Financial Services	
Population	2,308 million
Number of post office outlets (per capita)	307,100 (1 post office per 7,500 people)
Number of bank branches (per capita)	150,000 (1 bank per 15,400 people)
Number of postal financial transactions	354 million
Value of postal financial transactions	$24.24 billion
Postal giro and savings accounts	335 million
Postal financial deposits	$83 billion
Penetration of postal giro or savings accounts	20 percent of adult population

Financial Services Offered

Payments ✓ **Remittance ✓** **Savings ✓** **Pensions ✓** Insurance × Credit ×

Highlights

- Home to Worlds two largest postal networks: China (76,000 post offices), India (155,000)
- Share of international remittance market is less than 1 percent
- Recently established postal savings in China and Vietnam are witnessing fast growth
- Role of payments system in Thailand is significant (20 million transactions in 2002)
- Postal networks not included in programs to upgrade (cashless) payments systems
- PFS generally managed and operated by state owned postal service as a POSB reporting to Ministry of Finance (some are managed by separate state banks – Indonesia and Sri Lanka)
- Some countries have strong private sector participation in the provision of post offices through agency or franchise agreements (Thailand 75 percent, Indonesia 50 percent)
- Revenues from mail cannot sustain rural postal networks and attaching greater importance to the development of postal financial services to maintain revenues

Positive Lessons

China – Since the launch of the Postal Savings Bureau in 1986 it has become the 5th largest deposit taker in China with$65 billion and 189 million accounts. It has also introduced ATM's and is developing life assurance, payroll services and credits.

Sri Lanka – Post offices fulfill a broad role in providing mail and financial services and act as centers of public information, education and community meetings

Vietnam – Generated 500,000 accounts since 1999 and part of the $450 million deposits are used to fund development projects and the rest in the Ministry of Finance or Government Banks.

Ongoing Reforms

China – Talks to develop a formal financial institution in compliance with financial regulations

India – The Government has pledged to reduce the substantial subsidies of India Post (40 percent of costs) leading to increased private sector partnerships in provision of services (e.g., insurance)

EUROPE AND CENTRAL ASIA

The study reviewed information on postal financial services in 27 of the regions 29 countries. The region has a strong history of providing postal financial services and has the densest postal networks in the world.

Key Data on Postal Networks and Postal Financial Services	
Population	479 million
Number of post office outlets (per capita)	110,500 (1 post office per 4,350 people)
Number of bank branches (per capita)	70,000 (1 bank per 6,850 people)
Number of postal financial transactions	2,850 million
Value of postal financial transactions	$ billion
Postal giro and savings accounts	14 million
Postal financial deposits	$4.6 billion
Penetration of postal giro or savings accounts	5 percent of adult population

Financial Services Offered

Payments ✓	**Remittance ✓**	**Savings ✓**	Pensions ×	Insurance ×	Credit ×

Highlights

- Densest postal networks in the world (one post office per 4,350 people)
- An estimated 175 million people regularly use (twice per month) postal payments services
- With 2.85 billion transactions postal networks are *de facto* payment networks
- Revenue from postal financial transactions are greater than from mail revenues
- International remittances are provided, increasingly through partnerships, with Romania, Croatia and Armenia being strong players and Poland, Bulgaria and Macedonia insignificant
- Partnerships between Post Offices and postal banks have been established during the past 15 years, some of these banks have equity owned by foreign financial institutions
- Relatively well managed postal networks have enabled them to develop payments services
- Transparent accounting practices are not common
- Postal networks are not part of Central Banks policies to enhance efficiency or access to payments networks

Positive Lessons

Czech Republic – Post offices process almost 100 million payments (25 percent market share) and the Postal Savings Bank has 1.3 million saving accounts and 900,000 giro accounts with debit card

Hungary – Financial services represent 33 percent of total revenues and 1,000 transactions per day in the largest post offices

Russia – Post offices process 80 percent of all payments (620 million)

Ongoing Reforms

Azerbaijan – World Bank is funding a project to upgrade the postal financial service network

Armenia – Creation of a “Postbank” is a key priority to utilize the postal network in the delivery of a wider portfolio of financial services

LATIN AMERICA AND THE CARIBBEAN

The study reviewed information on postal financial services in 8 of the regions 30 countries. The region does not have a strong tradition of providing postal financial services.

Key Data on Postal Networks and Postal Financial Services	
Population	528 million
Number of post office outlets (per capita)	36,700 (1 post office per 14,400 people)
Number of bank branches (per capita)	35,000 (1 bank per 15,100 people)
Number of postal financial transactions	6.5 million
Value of postal financial transactions	$205 million
Postal giro and savings accounts	1.5 million
Postal financial deposits	$200 million
Penetration of postal giro or savings accounts	0.5 percent of adult population

Financial Services Offered

Payments ✓	**Remittance** ✓	**Savings** ✓	Pensions ×	Insurance ×	Credit ×

Highlights

- In Latin America postal mail markets are de facto liberalized which has led to the weakening of universal service providers (normally state owned)
- Postal networks are relatively dense with 1 post office for every 11,000 people
- Postal financial services have not traditionally been provide in the region and it is only the recent introduction of Banco Postal in Brazil that has led to 1.5 million accounts
- The main financial service in the region are payments services with 6.5 million transactions
- Domestic and international remittances are provided but the market share is less than 1 percent although some countries have formed partnerships with Western Union or Moneygram
- Brazil has also started to introduce micro credits (250,000 agreements)

Positive Lessons

Argentina – Correo has partnership agreements with Western Union and Pago Facil for international remittances and bill payments respectively.

Brazil – Correios do Brasil has one of the highest brand ratings in Brazil. This led to the creation of a postal bank in partnership with Bradesco. In just five years it has generated 1.5 million accounts and provides banking services to areas of the populations previously not serviced.

Ongoing Reforms

A number of countries are undertaking reform programs but these are not generally concerned with postal financial services. Specific reforms are taking place in **Argentina** (Correo is now likely to remain under Government ownership), **Guatemala** (concession agreement), and **Trinidad and Tobago** (defining the next steps after completion of the management contract).

MIDDLE EAST AND NORTH AFRICA

The study reviewed information on postal financial services in 8 of the regions 21 countries. The region does not have a strong tradition of providing postal financial services.

Key Data on Postal Networks and Postal Financial Services	
Population[1]	323 million
Number of post office outlets (per capita)[1]	22,300 (1 post office per 14,500 people)
Number of bank branches (per capita)[1]	12,000 (1 bank per 26,900 people)
Number of postal financial transactions[2]	94.4 million
Value of postal financial transactions[2]	$41 Billion
Postal giro and savings accounts[2]	25.5 million
Postal financial deposits[2]	$5.7 million
Penetration of postal giro or savings accounts[2]	17 percent of adult population

Financial Services Offered

Payments ✓	**Remittance** ✓	**Savings** ✓	Pensions ×	Insurance ×	Credit ×

Highlights

- Postal networks almost twice as dense as bank networks
- More than 7.5 million people have salaries paid into postal accounts
- Successful international remittances normally in association with Eurogiro or Western Union
- Penetration of savings accounts is high with up to 30 percent adult penetration in some countries
- Usage of account is also high suggesting low number of dormant accounts
- Access to insurance and pensions is virtually nonexistent although development of such services is taking place
- Revenues from PFS are significant in some countries and vital for their sustainability
- Postal banks generally administered as a separate entity
- Postal networks are not part of Central Banks policies to enhance efficiency or access to payments networks

Positive Lessons

Iran – Postbank (a postal subsidiary) was established in 1996 to provide outreach to rural areas through the postal network – it is also licensed by the Central Bank.

Egypt – The Post Office has 50 percent of savings accounts, albeit dealing with only 3 percent of deposits, and handled 22 million payment transactions in 2002 (compared to 8 million by the banks).

Ongoing Reforms

A number of countries are undertaking postal reform programs including Algeria, Egypt, Jordan and Tunisia.

ANNEX 2

INSTITUTIONAL ORGANIZATION OF POSTAL FINANCIAL SERVICES

TABLE 1: AFRICA

Country	State Ownership of PFS (%)	Independent Legal Name	Regulator	Relation to Post Offices	Shared Functions with Posts
Benin	100		Gov	Internal	Mgt & Ops
Botswana	100	BSB	CB		
Burkina Faso	100		Gov	Internal	Mgt & Ops
Cameroon	100	CEP	Gov	Internal	Mgt & Ops
Cap Verde	100	CECV	CB	SLA	
Comoros	100		Gov	Internal	Mgt & Ops
Congo (Rep.)	100		Gov	Internal	Mgt & Ops
Côte d'Ivoire	100	CECP	CB	SLA	
Gabon	100		Gov	Internal	Mgt & Ops
Kenya	100	KPOSB	CB	SLA	
Malawi	100	MSB	CB		
Mauritania	100	CNE	CB	SLA	Ops
Namibia	100	Nam POSB	Gov	Internal	Ops
Niger	100		Gov	Internal	Mgt & Ops
Nigeria	100		CB		
Senegal	100		Gov	Internal	Mgt & Ops
South Africa	100	Postbank	Gov	Internal	
Tanzania	100	TPB	CB	SLA	Human Resources
Togo	100	CECP	CB		
Uganda	100	Postbank	CB	SLA	
Zimbabwe	100	POSB	CB	SLA	

Legend: Gov - Government CB - Central Bank; SLA - Service Level Agreement; Ops - Operations; Mgt - Management

TABLE 2: ASIA

Country	State Ownership of PFS (%)	Independent Legal Name	Regulator	Relation to Post Offices	Shared Functions with Posts
China	100		Gov/CB	Internal	Mgt & Ops
India	100	(POSB)	Gov	Internal	Mgt & Ops
Indonesia	100		Gov	Internal	Mgt & Ops
Nepal	100				Mgt & Ops
Pakistan	100	(POSB)	Gov	Internal	Mgt & Ops
Philippines	100	Postbank	CB	Internal	
Thailand	100		CB	Internal	Mgt & Ops
Sri Lanka	100	NSB	CB	SLA	
Vietnam	100	VPSC	Gov	Internal	Ops

TABLE 3: EUROPE AND CENTRAL ASIA

Country	State Ownership of PFS	Independent Legal Name	Regulator	Relation to Post Offices	Shared Functions with Posts
Albania	0	FUT	CB	SLA	Retail
Armenia	100		CB	Internal	Mgt & Ops
Azerbaijan	100		CB	Internal	Mgt & Ops
Belarus	100	Belarusbank/ BelGazprombank	CB	SLA	Retail
Bulgaria	1%	Postbank	CB	SLA	Retail
Croatia	>50	Hrvatske Postenska Banka	CB	SLA	Retail & Ops
Czech Republic	0	CSOB/ Postovni Spořitelna	CB	SLA	Retail & Ops
Estonia	0	EYP/Postipank	CB	SLA	Retail
Georgia	0	Georgian Postbank	CB	SLA	Retail & Ops
Hungary	<50	Postabank (Erste)	CB	SLA	Retail
Kazakhstan	100		CB	Internal	Mgt & Ops
Kyrgyz Republic	100		Gov	Internal	Mgt & Ops
Latvia	100	PNC	CB	Internal	Mgt & Ops
Lithuania	100		CB	Internal	Mgt & Ops
Macedonia	<50	Posthenska banka	CB	SLA	Retail, Mgt & Ops
Moldova	100		Gov	Internal	
Poland	75	Bank Pocztowy	CB	SLA	Retail, Mgt & Ops
Romania	0	Banc Post	CB	SLA	Retail
Russia	10	Svyazbank	CB	SLA	Retail & Ops
Serbia	100	Postenska Stedionica	CB	SLA	Retail
Slovakia	<50	Postova bank	CB	SLA	Retail & Ops
Slovenia	>50	Postna bank (NKBM)	CB	SLA	Retail & Ops
Tadjikistan	100		Gov	Internal	Mgt & Ops
Turkmenistan	100		Gov	Internal	Mgt & Ops
Ukraine	0	Post & Pensionbank "Aval"	CB	SLA	Mgt & Ops
Uzbekistan	<50	Aloqabank	CB	SLA	Retail, Mgt & Ops

TABLE 4: LATIN AMERICAN AND THE CARIBBEAN

Country	State Ownership of PFS (%)	Independent Legal Name	Regulator	Relation to Post Offices	Shared Functions with Posts
Argentina	0	JV Pago Facil	CB	Internal	Mgt & Retail
Brazil	mixed	Bradesco	CB	SLA	Retail
Chile	100		Gov	Internal	All
Costa Rica	100		Gov	Internal	All
Mexico	100		Gov	Internal	
NL Antilles	mixed	POSB	CB	Internal	Mgt & Retail
Nicaragua	100		Gov	Internal	All
Peru	100		Gov	SLA	All
Uruguay	100		Gov	Internal	All

TABLE 6: MIDDLE EAST AND NORTH AFRICA

Country	State Ownership of PFS	Independent Legal Name	Regulator	Relation to Post Offices	Shared Functions with Posts
Algeria	100	Mixed/ CNE	Gov	Internal & SLA	Mgt & Ops
Egypt	100	POSB	Gov	Internal	
Iran	100	Postbank	CB	SLA	Mgt & Ops
Iraq	100		Gov		Mgt & Ops
Jordan	100	POSB	Gov/CB	Internal	
Libya	100		Gov	Internal	Mgt & Ops
Morocco	100	CNE	Gov	Internal & SLA	Mgt & Ops
Syria	100	POSB	Gov	Internal	
Tunisia	100	CNE	Gov	Internal & SLA	Mgt & Ops

ANNEX 3

WORD BANK PROJECTS WITH COMPONENT(S) OF POSTAL FINANCIAL SERVICES

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1. ALGERIA

http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=312509&menuPK=312542&Projectid=P070308

Algérie Poste, previously Department of Post under the Ministry of Post and Telecommunication, was created as a State-owned enterprise in 2002, outcome of a 2-year sector reform implementation. With about 3,000 post offices and 25,000 employees, Algerie Poste revenues have been for decades generated mostly by the postal financial services (current accounts, savings accounts, payments, money transfers). Most civil servants and military staff are paid on a postal current account. Unlike most Post Offices, Algerie Post has been actively part of the national payment and clearing system. It was involved in the recent reform implemented by the Central Bank on electronic payments and settlements. This has allowed Algérie Poste to be part of the electronic payment card pilot run in 2005 by 8 financial institutions. Postal financial services are considered as one of the best quality service, relying on a network that is today almost entirely interconnected.

Prospect for reform: the Government has recently led a diagnostic and recommendation study to assess the relevance and feasibility of engaging into institutional and strategic restructuring of the postal financial services. Whereas the institutional status quo has prevailed so far, the Government has recently announced its intention to transform the postal financial services into a postal bank, with a renegotiation of service level agreements with main partners (Treasury, Caisse des dépôts).

2. CAMEROON

http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=343813&menuPK=343846&Projectid=P065927

With postal customers demonstrating in the street in the spring of 2004, protesting that they could not access their savings at the Post Office, the Government took on an emergency reform of the sector with the creation of Campost. Campost was in fact reunification of the previously separated Postal Savings Bank (CEPC) and Sonapost, both created in 1999 during the transformation of the Ministry of Post and Telecommunication into three entities (Camtel, Sonapost, and CEPC). Under strong fiscal pressure, the Government engaged in a four- fold strategy: preparing an audited opening balance sheet of Campost including assessing the depth of illiquid postal savings deposits and to prepare for the creation of a postal financial services subsidiary; preparing a management contract for Campost as it is proven that the current management team is facing limitation to lead this change; preparing and implementing a redundancy plan; starting assessing the investment needs in the network in order to build up capacity again.

3. Morocco

http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=294540&menuPK=294574&Projectid=P058128

Barid Al-Maghrib was created in 1998 as a state-owned enterprise corporation and has been profitable since then. It was recently renamed Poste Maroc. It self-funded a comprehensive reconstruction and modernization plan, including a redundancy plan to improve its productivity and efficiency. Poste Maroc is actively implementing a corporate strategy that relies heavily on new technologies with a view to be competitive in the logistics segment. Regarding the financial services, the Government recently completed a study to assess the relevance of institutional change and a new strategy to leverage on the postal network and improve access to finance. With several on-going reform items in the financial sector, the Government seems to not have considered the postal financial services as a priority for reform at this stage. Yet the potential to improve access to finance in Morocco through the 1,000 post offices is not negligible.

4. Niger

http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=382450&menuPK=382483&Projectid=P074316

The postal savings bank was closed in 1992 facing significant deficit and illiquidity of deposits. Ten years later, taking advantage of the fiscal revenue stemming from a telecommunication license auction, the Government decided to allocated part of the proceeds to recapitalize the postal savings. The strategy was to transform the Public Office of Post and Savings (Office National des Postes et de l'Épargne) into a public corporation (société anonyme), Niger Poste. Niger Poste in turn is to create a fully-owned subsidiary in charge of postal financial services, FinaPoste. FinaPoste will request a banking license in order to start its activities, strictly limited to savings and payments in a first stage. FinaPoste operations are expected in 2007. The project implementation has experienced significant delay due mostly to unreliable commitment by the Government regarding the financial support needed all along project implementation. Part of this delay is also attributable to the limited human resources capacity in terms of commercial orientation and change management.

5. SENEGAL

http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=296303&menuPK=296335&Projectid=P051609

http://web.worldbank.org/external/default/main?pagePK=64027221&piPK=64027220&theSitePK=296303&menuPK=296335&Projectid=P080013

In 2000, after a decade of mismanagement of the postal savings, a Presidential decree called for the creation of a postal savings bank institutionally separated from the Post Office. With heavy liabilities (illiquid deposits), limited capacity and strong anti-reform unions, reforming La Poste and setting up an enabling environment was not an easy path. With strong Government support in the beginning that translated into significant fiscal transfers and political momentum to restructure the legal and regulatory framework, Senegal created in December 2005 a postal financial services subsidiary, PosteFinance, fully-owned by La Poste.

After a first stage during which the subsidiary will continue its traditional financial activities (savings, payments), the shareholders will assess the relevance of increasing the scope of activities under the Central Bank supervision, together with the possibility of its privatization. Allowing the postal financial services to step into credit (whether wholesaling to the microfinance institutions or direct loans to consumers) will hence be decided in a second stage of the reform process (2007 or 2008).