

AZERBAIJAN: LEVERAGING POSTAL NETWORK FOR FINANCIAL AND SOCIAL INCLUSION

Finance in Focus

Knowledge
Notes



Financial inclusion plays a vital role in poverty alleviation, creation of jobs, promotion of regional and economic diversification and growth. While financial systems developed significantly over the past decades, financial access however remains unequal and uneven regardless of the level of a country's GDP per capita or technological sophistication of the leading banks, with millions of households and businesses throughout the world still having no access to the basic financial services. Moreover, these unbanked clients can often fall into a deeper poverty and social exclusion trap, as financial access to the basic services (such as payments, money transfers, savings accounts, and insurance services, micro- financing) is essential for development of entrepreneurship and financial safety of households, and is critical for delivery of social financial support and remittances, especially to rural or remote areas. The recent slowdown of economic growth and continued vulnerabilities in financial markets pose even bigger challenges of financial inclusion at the backdrop of financial institutions' deleveraging, with consequent contraction of lending to micro, small and medium enterprises (MSMEs), staff reduction and networks optimization (through closure of subsidiaries, branches, and reduction of investments into traditional services delivery platforms (including physical outlets, ATMs, especially in remote rural areas). Penetration of alternative modern solutions such as mobile or internet banking and other fintech services is still limited and dependent on the level of digitalization of economy, internet access, consumer protection framework and financial capability of clients which remain generally low.

In this context, the synergy of postal and banking services that enables wider distribution of financial services and outreach in remote areas through large networks of postal operators is one of the unique, cost effective and often faster solutions for improving financial inclusion both in developed and transition economies. Expanded postal network infrastructure in many countries, especially in the Former Soviet Union, but also in a number of developed economies, is often provided by the state as a public good at taxpayers' cost, but is growingly underutilized due to reduced use of the traditional mail and postal services, and increasing private sector postal services. On the other hand, expansion of financial services and institutions, especially in rural areas, is constrained by high investment costs for physical infrastructure and brand recognition. In this context, partnership between financial institutions and postal networks helps the earlier to reduce costs to outreach wider clientele, especially in underserved areas, while the latter gains additional income and investments for services modernization and sustainability. Successful examples of various modalities of postal finance and postal banking partnerships exists in many countries, including for example Estonia, Brazil, Morocco, Belgium, UK, Ireland, Italy. A number of countries, including USA, India are considering postal banking reforms for financial outreach and inclusion.

This paper provides a brief overview of the postal network reform in Azerbaijan and transformation of Azerpost, Azerbaijan's state postal operator, into an efficient platform for basic financial services delivery throughout the country. This complex reform, supported by the World Bank loan for Financial Services Development Project and the grants from the Swiss Office of International Cooperation (SECO), was launched in 2006 and helped the government of Azerbaijan to improve financial services delivery and inclusion in the country in parallel with modernizing and digitalizing Azerpost, expanding its financial services delivery capacity, enhancing its financial viability and maximizing the public value of Azerpost extensive branch network of 1,600 offices. In the period of 2007-1H2015, Azerpost total revenues, largely from financial services (as universal postal services remain loss-making) tripled, while volume of financial services' sales increased four times. In 2015, Azerpost reached financial breakeven without state subsidy, and productivity of its staff increased 3 times. In 2009, Azerpost corporatized and became LLC, while in 2010, based on the new postal legislation, it was licensed as a non-bank financial institution subject to prudential supervision of the central bank.

As the financial sector of Azerbaijan remains fairly small, with one of the lowest levels of financial inclusion in the region and the shaken stability of the banking sector after the rapid drop in the oil prices and local currency devaluation in 2015, financial stability and access for economic recovery and poverty alleviation is one of the major priorities for the country policy makers. In this context, the role of Azerpost, that accounts for two-thirds of the country's financial sector's physical infrastructure and is one of the market leaders in remittances transfers, utilities payments, and social payments delivery in the rural areas, is becoming more important for financial and social inclusion, as well as countercyclical response.

The experience of Azerpost's reform can yield valuable insights for policy makers in the Former Soviet Union countries and beyond that are facing financial inclusion and access issues and may want to leverage their own postal networks to promote greater financial and social inclusion as well as enhance efficiency and sustainability of postal operators.

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THE POSTAL FINANCE NETWORK MODEL

In many countries around the globe the size, spread, and demographic reach of post office networks significantly exceed that of bank networks. Frequently, it is required by law (as is the case in Switzerland or Azerbaijan) that post offices are present in all regions and in rural communities. Therefore, postal networks encompass the management of property, equipment, and personnel to ensure that citizens have access to key basic services (including mail, goods, cash delivery, and utilities payments), even in the most remote areas. Banks traditionally build out their networks in larger centers on the basis of commercial viability, while modern financial services (including mobile and e-banking) have not yet penetrated to rural areas, especially in former Soviet Union countries (FSU), due to limited digitalization or poor financial literacy. As a result, many micro, small, and medium-size enterprises (MSMEs) and low-income residents remain without adequate access to basic financial services or incur extra costs to access them. This situation constrains economic diversification and regional development and inhibits social inclusion and shared prosperity.

To increase financial and social inclusion, a number of countries have chosen to integrate their public postal networks into financial access infrastructure. Indeed, in the United Kingdom, Italy, Brazil, China, Austria, and France, post offices offer customers the ability to open bank accounts and maintain savings accounts, deposit pension checks and withdraw cash, receive and transfer remittances, make utility payments and pay debts—all for a modest fee. In fact, traditional postal services often represent less than 10 percent of the total operations of post offices, while financial services bring much bigger revenues. By formally integrating post office branch networks into the financial fabric of a country, banking and social services are delivered to a larger group of underserved citizens, and the revenue streams associated with financial services enhance viability of the postal network, enhancing its public value and mitigating the risk of a fiscal burden. Postal banking is also beneficial for the financial sector, as it allows financial institutions to reduce fixed assets costs and use postal networks to distribute their services through an agency or a partnership arrangement. For policy makers, such integration of postal assets and financial services to reach public policy objectives of financial and social inclusion, especially for the rural poor and MSMEs, can be a more cost and time effective approach as compared to developing new financial distribution infrastructure through greenfield investments. This also helps reform postal networks, increase their viability and lift the value of public assets at lower fiscal costs

POSTAL OPERATIONS IN THE POST-SOVIET ERA

Until the 1990s, multimodal large postal networks were and still remain in many cases a common feature of the countries of the FSU. Newspaper and mail delivery functions were often bundled with telecommunications services. Post offices provided limited financial and social services to households, such as pension payments, money transfers, and small-deposit taking. During the past decade, many of these postal monopolies fell apart in the absence of public financing and growing competitive pressures. Lucrative telecommunication businesses were spun off and privatized, private mail carriers were allowed to compete with the government-owned postal service, and quasi-monopolies in financial and social service functions were phased out. The initial expectation was that in the new economy private banks and other financial institutions would bridge the financial inclusion gap, and competition would lead to better product development and broader market penetration. However, with respect to increasing financial inclusion, these hopes often proved to be overly optimistic. Although banks did in fact become more robust and customer-oriented, their service networks did not expand as widely or as rapidly as policy makers expected, leaving many MSMEs, as well as poor and rural citizens, still outside the system. Another downside was the impact of de-coupling telecommunication and financial functions on the ability of postal operators to ensure business continuity in the face of increased competition. With the withdrawal of income and government support for financial and social functions by the late 1990s, the national postal operators in the FSU faced severe crises of purpose, mandate, and financial viability.

THE EXPERIENCE OF AZERPOST

Azerbaijan's postal operator—Azerpost—faced similar challenges. Between 1940 and 1970, the post office network in Azerbaijan had tripled to over 1,590 outlets, of which 1,171 were located in rural areas. At its peak, the organization boasted delivery of more than 75 million letters per year, nearly 100 million newspapers and magazines, several million parcels, and telegrams to the country's 7.4 million households and businesses. Intercity and trunk calls also ran through the network, and regional post offices hosted switching centers and antennae for telegraph and telephone services. Post offices also acted as agents for the national state Savings Bank, collecting deposits and retail investments into state bonds, delivering social security and pension payments, administering utility payments. Operations reached their zenith in the 1970s, when the organization employed more than 6,000 citizens, but growth stagnated soon after and remained at more or less at the same level for several decades.

After the breakup of the Soviet Union in 1991 Azerbaijan's incumbent telecommunication provider was separated from the postal operator and in 1997 was renamed to Aztelekom. Azerpost Production Association became a state-owned enterprise under the Ministry of Communications. By that time, traditional postal services in Azerbaijan had declined severely to less than 10 percent of the peak volume, therefore raising fiscal subsidy amount to cover Azerpost fixed costs. By the end of the 1990s, Azerpost was barely breaking even and its core operation had evolved into a paper-based cash payment network for pensions and social security transfers of the state, utilities payments, and some money transfers. It had neither resources to upgrade its functions, nor the legal and regulatory framework for expansion into a broader range of financial or postal services delivery. In 2007, Azerpost suffered another major shock from the Government's decision to distribute pensions through banks. Within a year, Azerpost was facing a dramatic budgetary and operational crisis.

AZERPOST-WORLD BANK REFORM PROGRAM

To meet the government goals for improved social and financial inclusion and to increase the quality and value of Azerpost's services delivery network, the authorities decided to revamp Azerpost's operational model and expand its role in financial services provision. This was supported by the need to fill financial access gaps in the backdrop of a fairly small and underdeveloped financial sector. However, this required a complete corporate transformation of Azerpost, with sound governance, internal controls, accounting and reporting systems, human resources reform, and introduction of new financial products. Internet access and technological upgrades of the main offices and branches was also essential. Provision of financial services also meant revamping the legal and regulatory framework to ensure that Azerpost is properly regulated as a financial institution, and its governance responds to the modern practices. Finally, development of the extensive agency relations and partnerships with other financial institutions or services providers was necessary for the new financial services delivery and reform of Azerpost branch network.

In support of this reform in 2007-2011, the authorities sought help through the World Bank Financial Sector Development Project (FSDP1) and a grant from the Swiss Office of International Cooperation (SECO). The program supported Azerpost modernization with a focus on the branch network internet access, computerization, connection to the payments systems, development of management information system (MIS) and products. Further on, additional SECO grant under the Financial Sector Modernization Project (FSMP) was

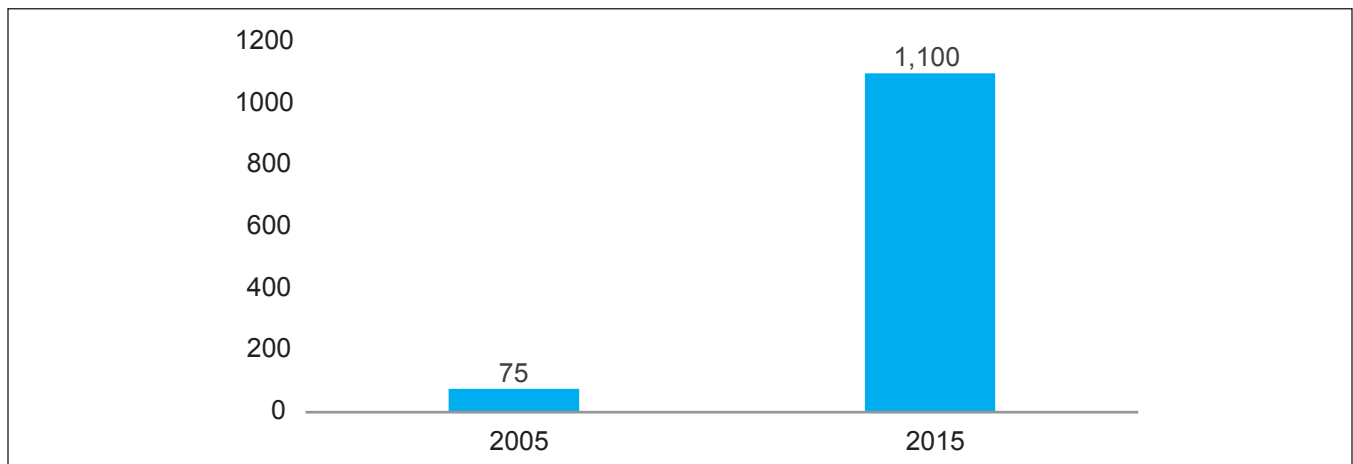
provided during 2012-2016 to support continued reforms of the internal controls, accounting and reporting, staff training, and product development. The result of this effort is impressive.

Service Expansion — prior to the program, Azerpost’s extensive rural network was not seen as a part of the financial access infrastructure of the formal financial sector. Now it accounts for roughly two-thirds of the physical access infrastructure (measured as “touch points”) for basic financial services in the country and is larger than the branch network of any other bank. With offices in all of the regional districts and provincial towns, Azerpost implements a key function of social and financial inclusion obliged by the government. The law on postal services was revised in 2008 to streamline Azerpost’s governance and accountability, and expand its mandate. In 2010, Azerpost was transformed to the Limited Liability Company (LLC) and received the financial services license as a non-bank financial institution supervised by the financial regulator. Azerpost provides an expanded range of services, such as utility and other recurrent payments and cash delivery, postal

and parcel services, including e-commerce, and financial services under numerous agency agreements with the state, service and financial companies (including banks, money transfer operators, insurers, microfinance providers). These include transfer of remittances, foreign currency exchange, debt and cash collection, payment settlements and issue of payment cards. Azerpost is now one of the market leaders in remittances transfers.

Platform Modernization — Until 2007, nearly all of the payment services of Azerpost were paper-based and manually processed, with high cost and operational risk. By 2012, 1,079 post offices were equipped with modern technology for financial services delivery. Regional offices were linked to the internal reporting and accounting system and interfaced with the interbank payment system (see Figure 1.). In addition to improved cash and liquidity management, Azerpost also introduced its own cash logistics operation, which was critical for cash payments and collections in remote areas where automated teller machines (ATMs) and bank branches are typically absent.

Figure 1. Azerpost automation and connectivity: number of connected and equipped offices



Source: Azerpost internal data, Azerpost financials

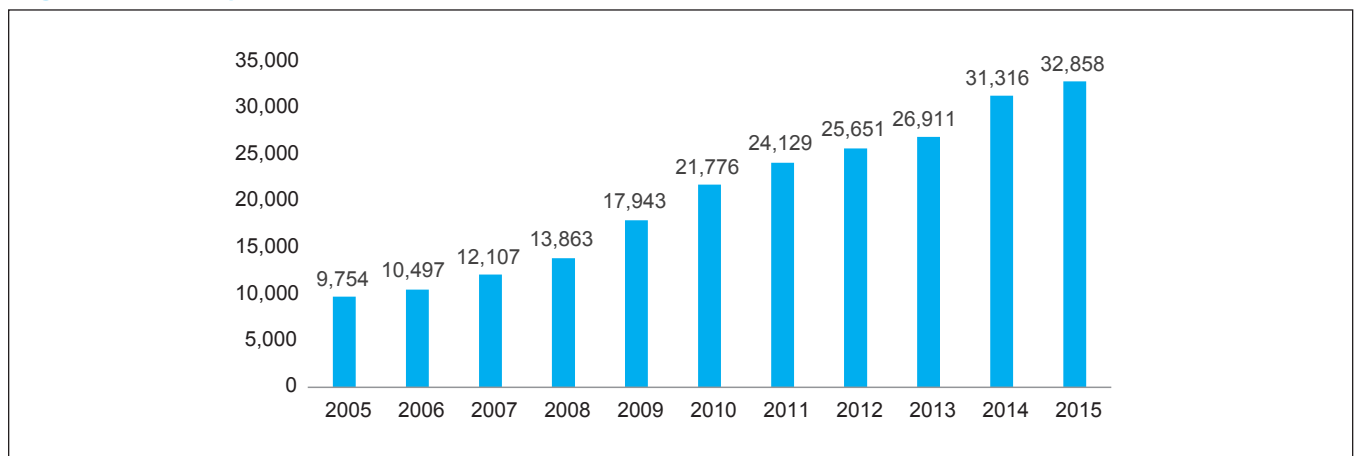
¹ The FSDP, approved by the World Bank Board in May 2005, included several components, such as modernization of the payments system at the Central Bank of Azerbaijan and reform of Azerpost. Of this loan, US\$10.75 million was allocated to support of Azerpost’s modernization. The loan is now being repaid by Azerpost to the Ministry of Finance of Azerbaijan.

² FSMP is still under implementation, with the closing date of June 30, 2016. The grant in the amount of US\$0.55 million supports Azerpost audit and development of a corrective action plan for further reform of financial management and internal controls, management and staff training, pilot rebranding.

Financial Management and Viability — Since 2007, Azerpost total revenues tripled, largely through the 4-times increase in the sale of financial services (see Figure 2). Staff productivity has tripled (Figure 3). Net earnings have also improved and are expected to be positive in 2015—for the first time in 10 years and without a government subsidy. In 2010 Azerpost had its first audit report under International Financial Reporting Standards (IFRS), and in 2014 the auditor issued the first unqualified audit report in Azerpost’s recent history, confirming an improved financial position, enhanced internal processes, and strengthened financial controls.

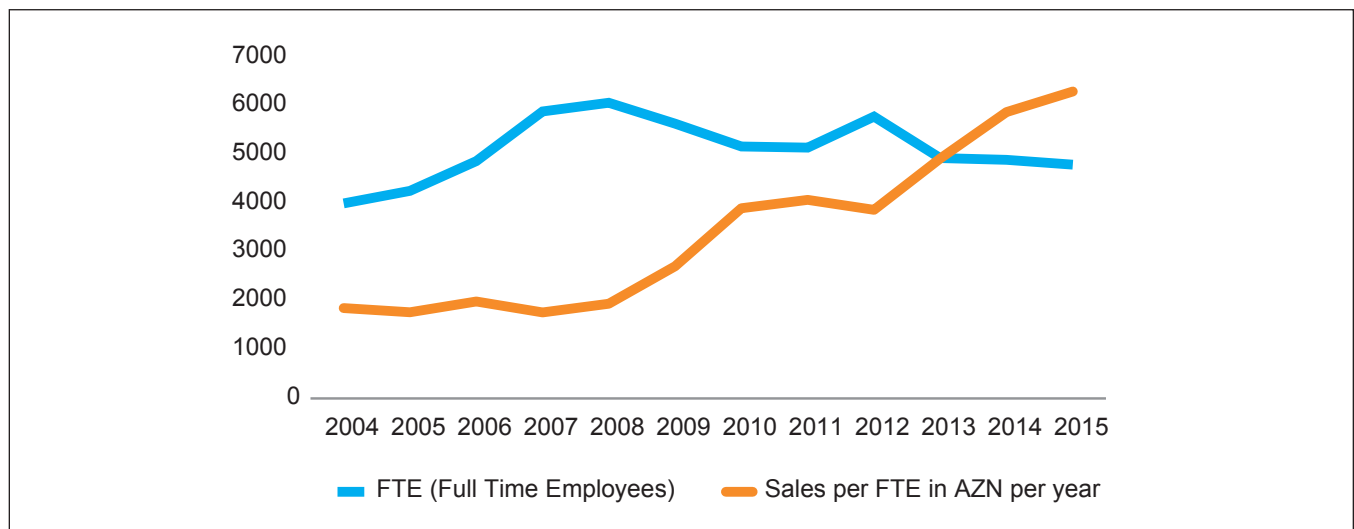
New Competitive, E-Commerce Profile — Despite severe competition from at least 30 private postal operators in Azerbaijan, Azerpost, through its technology investments, product improvements, and enhanced staff productivity, achieved operational excellence in its courier, express, and parcel delivery services. This accomplishment was part of a general movement to develop e-services as a way to support regional and MSME development as over 81 percent of all e-commerce purchases in Azerbaijan are made by companies. The improved e-commerce platform now not only contributes to Azerpost’s financial sustainability but also promotes its brand recognition across the country.

Figure 2. Azerpost total revenue, 2005-1H2015, AZN billion



Source: Azerpost internal data, Azerpost financials

Figure 3. Azerpost Staff, Productivity Increase, 2004-2015



Source: Azerpost internal data, Azerpost financials

Enhanced Management Capacity — Between 2013 and 2015, Azerpost significantly improved its management capabilities and services delivery through an extensive training program. An internal Learning Management System (LMS) designed and implemented under the FSMP project in 2013-2015 supported training of more than 3,600 of the 5,000 Azerpost staff, including senior and branch

managers and nearly all tellers and operators. This helped strengthening of customer focus, quality of service, and management capacity across the organization. The program supported creation of Azerpost training center, development of 28 learning modules and launch of a “train-the-trainers” program. (see Box 1 for more details).

Box 1. BEST PRACTICES: Training Program at Azerpost and E-learning model

Staff capacity at post offices has long been a challenge for financial inclusion efforts. Without skilled staff, postal organizations and especially the tellers in post offices are limited in their ability to innovate, provide quality services and extend outreach to those who are excluded from the formal financial system. New applications of technology are bringing new opportunities for services delivery, but also require investments into professional development and training. Such approaches as e-learning have the potential to dramatically expand the accessibility of high-quality content at a lower cost than traditional training models, and thus boost much-needed capacity in the sector.

The training project implemented by Azerpost under the World Bank-SECO program has catalyzed innovative approaches to building Azerpost staff capacity in financial services delivery through the creation of an e-learning solution with online learning tools. Azerpost’s Learning Management System has been built in partnership with Azerbaijan Bank Training Center (ABTC). ABTC performed an in-depth gap analysis of needs and requirements for Azerpost training, which confirmed extensive need for training Azerpost staff at all levels. The training program was designed with consideration of differences in service packages provided through the postal network, differences in client segments, as well as financial education needs of staff in the last mile and at the doorstep of rural communities in order to transfer financial literacy and promote financial inclusion. This included basic computer literacy skills as well as soft skills.

The ABTC jointly with Azerpost generated high-quality, dedicated, and specific course content and built a community of practice within Azerpost through train-the-trainers program. The in-house Azerpost training center was established with the aim of developing and implementing internal training program as well as

performing continued analysis to understand the training needs of Azerpost staff. The ABTC also reviewed Azerpost’s human resources policy and incentives to use training as an instrument to promote motivation and ensure loyalty, and developed respective recommendations in this context.

The initial implementation of the training project results are impressive. In a relatively short period of 18 months of program design and implementation more than 3,643 people or more than 60 percent of Azerpost staff have been trained. Azerpost now has a long-term training model that is essential for increasing staff capacity and expanding scope of training. It has 31 in-house trainers on 22 topics for financial services, and 13 trainers on 6 topics for postal services, making in **total 44 in-house trainers for 28 training topics**. The trainers are involved on a project basis and provide training during hours outside of their regular full-time jobs within Azerpost, therefore earning training fees. This provides additional motivation for young professionals in Azerpost to enhance their knowledge and share it with other colleagues through training. Moreover, Azerpost is now offering e-learning on 16 topics on the basis of its new corporate LMS portal.

Azerpost in-house training program forms a sound foundation for expanding its staff knowledge and skills on a sustainable and cost-efficient basis and is important for enhancing quality and capacity of Azerpost’ financial services delivery, in particular in rural Azerbaijan.

Azerpost’s training project provides interesting lessons for other postal networks on both a national and a regional scale. It turns out to be an effective approach to increasing and improving capacity in delivering access to financial services through the post offices.

SMART LESSONS

Transition from a Soviet dinosaur toward a Caucasian tiger on a bumpy road; challenges and lessons

The transformation was challenging and complex, requiring flexibility, extra time, effort, and creativity from World Bank and Azerpost teams.

1) Force Legacy Issues into the Open

To provide financial services, Azerpost needed reorganization and licensing by the financial regulator. Transforming a postal operator into a non-bank financial services provider sounds simple, but is challenging in practice. Such transition requires not only legal corporatization reform, but the whole redesigning of an organization internally. This included a new governance structure, streamlining roles of the State Property Agency as an owner and the Ministry of Communications as the postal regulator and manager of Azerpost, and introducing to Azerpost financial regulation and supervision by the Central Bank of Azerbaijan. Building new a legal structure, enhancing transparency and accountability to the two regulators, financial and postal, building a new governance model and separating the accountability of the postal services from other lines of business, and eliminating legacies of the past (including the need to resolve hidden and off-balance sheet issues) was a complex task, that was achieved through a step-by-step transition process.

2) Transparency, Governance, and Accountability

Similarly to other FSU postal operators, before 2008 Azerpost did not have a proper financial reporting system and its financial statements were non-transparent, making it impossible to attribute losses to specific products or operations. Therefore, the phase-out financial management and accounting reform program was designed, taking into account Azerpost knowledge and absorption capacity. Such a reform normally requires extensive guidance and capacity building with parallel significant technological investments. An application platform needs to be in place that supports both process automation as well as modern MIS applications that modern companies, including financial services providers, normally rely on. Accounting and reporting functions needed to be automated and consolidated at the level of the head office, and more advanced internal and external reporting in line with IFRS needed to be available for management, regulators, and the public. Azerpost achieved significant progress in all of these areas with new MIS, accounting and financial reporting systems. However further investments and actions are needed to introduce internal transfer pricing and cost and profit centers accounting.

3) Partnering Challenges

Postal financial operators cannot maximize their brand value and appeal to large groups of new customers by offering only a limited menu of traditional products. A one-stop shopping concept with a complete range of basic financial services is needed to advance financial inclusion. To build, organize, and operate all these services stretched far beyond the capacity of Azerpost. Therefore Azerpost sought to bring other licensed financial institutions' services into its platform through agency agreements. Although a broader product portfolio fills needs and adds convenience for clients, it also poses risks. It implies Azerpost's official endorsement of commercial, third-party activities and requires a high degree of cooperation from other market players. Managing risk, selecting partners, and building fair and competitive conditions based on proper cost-benefit analysis and rollout plans proved to be challenging, not least because the expectations of Azerpost and the partners differed. The capacity building in management accounting, market analysis, and assessment of financial performance have helped Azerpost climb a steep learning curve in this respect, advancing its readiness and capability to structure and enter into strategic partnerships.

4) Technology and Process Re-engineering Takes Time and Money

Before 2008, Azerpost's use of technology was limited. The program supported design and implementation of a new systems architecture that helped to equip all post offices with a modern technology and solutions, and to connect them to the main office and other systems, including interbank payment system. A robust back office also had to be built that interfaced with the interbank payment system. This helped improve operations and productivity.

Initially, Azerpost's focus was on increasing IT production capacity to launch new payment services, under the assumption that new technology was mainly to be used to solve existing problems and attract new clients. Azerpost has since learned the limitations of this assumption. To be a reliable financial service delivery channel in the digital age of financial technology requires partnerships with competent financial institutions and mobile telecommunication operators for the application of new technologies to expand access to and usage of the financial system. This requires more than the usage of modern technology for delivery of financial services at the counters in post offices. Standardized interconnectivity and interoperability with mobile and other electronic channels for financial services is a requirement for omni-channeling. In parallel, development of e-commerce also helps to promote digital financial services, increase postal revenues, and expand regional economic integration.

5) Change Management, Human Resources, and Corporate Culture Across the Board

In the past Azerpost as a state owned company secured jobs for nearly 6,000 employees, albeit with limited career and knowledge development prospects. However, the changing competitive environment and delivery of modern financial services required reform of human capital management to increase the capacity and ability of Azerpost to survive at arm's length from the state. Azerpost reform also confirmed the need for a senior level transformation “champion” with respective powers and mandate to drive the reform agenda forward. Thus, the leadership of a highly motivated Minister of Telecommunications and High Technology along with the appointment of an experienced, senior banker as the Deputy Chairman of Azerpost responsible for the transformation program was instrumental for Azerpost's reform implementation. Moreover, development under the World Bank-SECO project of an in-house training platform open to all levels of staff as compared to selective external bank training programs for just a few senior staff (which was the practice in the past) allowed to train more staff and brought a significant and refreshing mind shift within Azerpost, leading to enhanced capacity, improved motivation, and a greater customer-centric focus among staff and management.

BENEFITS WILL TAKE TIME TO DEVELOP

Although the program is already considered a success, it will take time before the impact of all of the benefits will be visible. Advancing financial inclusion takes time. Even though Azerbaijan is now considered a high-income economy, the level of financial inclusion in the country remains below the market demand and is lower than on average in other Europe and Central Asia economies and is much lower than in other high-income economies, as indicated by the recent FINDEX 2015 report. As the financial sector of Azerbaijan is still fairly small and highly concentrated in the capital city of Baku, the role of Azerpost remains significant for the financial inclusion agenda, especially in the regions.

Azerpost has achieved impressive transformational results so far and can serve as a useful lesson for postal operators' reforms in FSU. Azerpost improved its financial viability, reached positive financial result in 2015 by tripling its revenues from the sale of financial services, and achieved remarkable progress in developing its products, branding and training program, especially if compared to the pace of postal network reforms in other countries in the region. Support under the World Bank and SECO funded projects has been instrumental in bringing Azerpost to the new level of its technological, operational development, financial management, products and HR policy reforms, and improving Azerpost's financial performance.

The Way Forward

Despite enhanced capacity, Azerpost's great postal network capacity remains underutilized. There is also a continued high demand for financial services coming from regions and pockets of society, especially in the changing landscape of the contracting and consolidating banking sector and lower economic activity in response to the lower oil prices. There is room for Azerpost to expand its services and broaden the scale, scope, and number of partnerships to improve financial services delivery, especially in rural areas.

Azerpost reform could have been more impactful and expedient, if it had strategic partnerships with leading domestic or international banks for “know how” and investments in products development at an earlier stage. Rapid expansion of financial services also requires further Azerpost investments into financial and risk management systems, products development and quality controls, human resources management, real estate management, rebranding and marketing. This suggests the need for continued institutional development of Azerpost to expand its corporate efficiency and enhance quality of services delivery in line with the modern postal banking practice. Azerpost supervisors and management team are committed to pursue further reforms and requested the World Bank continued support to complete Azerpost transformation along the following lines:

- **Accelerate the process of Azerpost corporate transformation.** Adopt modern corporate governance structure and principles in line with the international practices. Ensure a greater distance between the postal operator and the Telecommunications Ministry, and ensure sound regulation of a postal operator as a financial institution. Adhere to standards and codes, including financial and prudential reporting, disclosure and consumer protection that are commonly used in the financial sector.
- **Continue building strategic partnerships.** Azerpost should pursue agreements with competent and responsible domestic and/or international financial institutions that are licensed and committed to the joint expansion of financial services delivery in rural Azerbaijan, thus facilitating financial inclusion and accelerating Azerpost institutional reforms.
- **Strengthen financial management capacity.** Continue Azerpost's financial management reforms, supported by the respective investments in technologies and staff training, and advance the process of integrating Azerpost enterprise resource planning (ERP) and MIS software platforms. Introduce rigorous profitability analysis for client groups, products, and channels, develop internal

Core elements of Azerpost corporate transformation



Source: World Bank staff

transfer pricing, calculate the net cost of the postal universal service obligation, and prepare respective investment decisions.

- **Undertake a comprehensive review of real estate assets management processes.** Azerpost continues to hold a large portfolio of land and buildings spread across the country. Eliminate or reconfigure unproductive space to support better access to financial services and other forms of digital and social inclusion, while rationalizing its costs and generating additional revenues from real estate assets management.
- **Enhance human resource reforms, and adopt performance-based management contracts with the focus on improving remuneration and compensation.** Develop career and talent management programs,

strengthen change management team, adopt modern corporate management techniques, reporting and accountability standards. Enforce measurable qualitative and quantitative indicators for performance management. Create a corporate culture that focuses on customer centricity and client satisfaction in parallel with marketing and product quality management reforms.

- **Advance financial and digital inclusion in rural Azerbaijan.** Particular emphasis should be placed on supporting the transition from cash to cashless systems and improving the cost-efficiency and reliability of payments services, as well as on improving financial literacy—using post offices as a public and mass communications channel, transparency in financial services, and child finance.

