The Role of Postal Networks in Expanding Access to Financial Services

Worldwide Landscape of Postal Financial Services

Africa Region

The World Bank Group
Global Information and Communication Technology

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Author's Note

This section discusses the landscape of postal networks in the African region[1] and their current role of postal networks in providing access to financial services. The landscape is intended to serve as a basis to assess the potential role to expand access to financial services.

For some aspects and some countries data did not seem to be available or was available only to a limited extent. In particular, this was the case for data on the role of the postal networks in cashless payment systems, the significance of the postal financial services compared to monetary aggregates, and the details of the financial services rendered through the post offices.

For several countries—Sudan, Central African Republic, Mali, and Sierra Leone—data on the services and their organizations was not yet available. On the other hand, in the course of the desk research in 2004, other countries that were not included in the list of 24 countries were found to have postal networks with an active role in financial services, e.g., Angola, Burundi, Mozambique, Ethiopia, and Madagascar.

While this African regional landscape can stand alone, it is an integral part of this large study of the potential of postal networks to coordinate with financial service providers in 5 regions (*Africa, Asia, Eastern Europe and Central Asia, Latin America and the Caribbean, and the Middle East and Northern Africa*) and 7 countries (*Egypt, Kazakhstan, Namibia, Romania, Sri Lanka, Uganda, and Vietnam*).

Glossary of Abbreviations and Acronyms

CNE	Caisse Nationale d'Epargne (National Savings Bank)
CCP	Centre des Cheques Postaux (Postal Check Accounting Center)
ICT	information and communication technology
POSB	post office savings bank
UPU	Universal Postal Union
USD	United States dollar

[1] The African region as defined by the World Bank includes the African continent except North Africa, namely Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Comores, Republic of Congo, Cote d'Ivoire, Gabon, Kenya, Madagascar, Malawi, Mali, Mauritania, Namibia, Niger, Nigeria, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Togo, Uganda, Zimbabwe.

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Summary

Postal networks in the African region consist of 11,365 post offices. In many of the African countries, the post offices have provided a payment source and savings services for more than 100 years. Research indicates that currently 9.5 million Africans have postal savings accounts, with a total balance of USD 1.7 billion—about 5 percent of the adult population. In several countries, postal savings are the leading deposit-taking outlet; in some other countries, it is a marginal phenomenon. The number of active savers is estimated at less than 2 million, and a reported 70 percent of these savers are served by fewer than 1,000 post offices or separate postal bank branches.

In addition, postal networks offer payment services.[2] Nearly 0.5 million postal giro accounts are open, and produce about 7 million transfer operations annually. Most of the holders of postal giro accounts are government-employed staff (teachers, public servants, or the military). However, postal networks are not included in large-scale programs to upgrade the cashless payments systems in Africa. Most Central Banks consider the postal networks in a too poor condition to be involved.

The financial services are managed through a separate state-owned entity in about half of the countries—a post office savings bank—which utilizes the postal network through an agreement with the post office. All of these entities are state-owned, but only about half of them are regulated by the respective Central Bank. In the other 50 percent of the countries, the financial services are operated as an integrated part of postal services, with separate subdivisions responsible for the operations. Most of these, however, lack separate accounts and controls.

There appears to be widespread consensus that postal networks could play a much more active role in providing access to financial services, especially to unbanked poor and rural communities. There is also consensus that offering postal financial services needs to be revamped from fragmented single products to integrated packages including payment cards, savings, deposits, insurance, and even credit.

It appears to have been difficult to convert ideas and consensus into practice. In several countries, including South Africa, repositioning the postal bank has been under discussion for more than 10 years without conclusion. In some other countries, steps have been taken to separate the postal bank into an independent company, operating through the postal service. In most cases, use of the postal network has sharply decreased or has simply been terminated. A key inhibitor for the state-owned postal services is their reluctance to give up control of the postal financial services (and access to these revenues and even depositor funds); a key inhibitor keeping postal banks from using the postal network is the lack of the quality control, expense, and poor performance of the postal network.

Revenues from mail operations cannot sustain rural postal networks in Africa. Mail volumes are extremely low—frequently there is no mail and yet the operational cost to run a network is high and fixed. In various cases across Africa, there are more financial transactions over the post-office counter than sales of stamps.

This situation calls for vigorous reform, leading to intrinsically strong and competent institutions. The issue is not limited to moving postal financial services to the financial sector (instead of the public postal sector): the issue also includes repositioning the postal network as the front-end of the financial sector and modern information services (instead of continuing as the back office for mail processing, collection, and distribution).

A vigorous approach would therefore have to include the assessment of options such as participation and/or alliances with privately managed financial institutions, cross-border cooperation, private postal agents, and a process and approach not necessarily dependent on the pace and course of postal reform.

[2] Postal networks also process international remittances. The market share in this market is estimated at less than 1 percent.

1— Introduction

The postal networks in the African region comprise **11,365 post offices**, or less than 2 percent of the worldwide postal network. The postal networks in Africa are uniquely large compared to other networks, including the estimated 7,000 bank sub-branches.

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Key Data on Postal Networks and Access to Financial Services	
Population	425 million
GNI	USD 262 billion
Territory	14.61 million square kilometers
Post offices	11,365
Staff	67,000
Mail items	672 million
Postal financial transactions volume	6.9 million
Postal financial transactions (value)	USD 1.6 billion
Postal giro and savings accounts	3.5–9.5 million
Postal financial assets	USD 219–1,700 million

Sources: Research by UPU, WSBI, World Bank, ING

Although the density of the postal networks falls significantly short of recommended UPU norms, the postal networks—in general—cannot be economically sustained by revenues from the postal mail services whose volumes are low and are unlikely to grow significantly in the medium term. UPU data show a compound annual growth rate of -2.8 percent over the period 1995–2000 and predict moderate growth of 2 percent in the period 2000–05.

Per capita mail volumes are on average less than one item per year—consumer-to-consumer mail is estimated at less that 25 million items in 2002 (i.e., 1 of 17 Africans writes one letter or postcard per year). Moreover, revenues from mail services of the state-owned postal operator are likely to fall in view of increased global competition in international mail, express, parcels, and logistics, as well as substitution by e-mail, fax, and other new technologies. Governments in the African region are therefore increasingly rethinking the rationale of maintaining and operating postal networks.

The challenge for many African governments is either to gradually reduce or phase-out state postal services and their networks within the next 10–15 years. This marginalization would come as the result of market sector liberalization, substitution of new technologies, and increased customer demand, with the postal operator left to provide universal service obligation mail activities only. The once widespread cross-subsidization of loss-making mail services will be less and less possible with new regulation and improved accounting standards and practices. They would not allow use of revenues from telecommunications, liberalized mail services, or postal savings, or simply lending postal savings deposits to shore-up mail deficits. The challenge, therefore, is to set out a proactive course in postal sector reform.

As it becomes increasingly acknowledged that mail operations in Africa alone cannot sustain the postal network, and that modern logistics and supply chain concepts decrease the need for dense postal networks for mail processing, the question emerges what role remains for the rural or remote post offices.

Already, under existing accounting practices, financial services generated more than 20 percent of total postal revenues in 2002. In some countries, it is more than 50 percent. Many postal operators feel that opportunities are underutilized and have taken some initiative—even if small scale—to broaden the range of financial services.

Data indicate that nearly 10 million Africans keep accounts in postal financial entities (more than 5 percent of the adult population), and USD 1.7 billion has been mobilized in savings. In some countries, postal savings represent a significant share (more than 10 percent) in total deposits.

Current initiatives feature experimental and fragmented approaches (e.g., launching of a new product or new technology) and focus on adding international remittances, microcredit, or bank cards. They are often not part of an overall comprehensive strategy to reposition the postal financial service entity.

Postal financial entities are all state-owned. Half of these are not supervised by competent financial sector regulators, but are an integrated part of postal operations. The weak regulatory context has produced frail corporate governance, unhealthy balance sheets with no equity and/or technical insolvency, high liquidity risk, and unclear financial performance and profitability. In various cases (e.g.: Cameroon, Ghana, Nigeria, Niger, Gabon, Togo, Cote d'Ivoire), this has led to the collapse of the postal financial entity. Apart from the frequently occurring practice of cross-subsidizing, some postal financial entities are forced to lend (e.g., South Africa) to the postal service to cover operational deficits. In several cases of liquidity crisis, governments have intervened and agreed with the International Monetary Fund to separate the postal financial entity from the postal service. In this separation process, the mail service retains the postal network, and in several cases, the separation has lead to the post offices not being used, or a termination of unclear, mutually dissatisfactory, and non-sustainable arrangements.

In other, more recent cases, the idea emerged to create postal financial entities as subsidiaries of the postal services (e.g., Senegal, Niger) with separate accounts and under supervision of the Central Bank. In yet other cases (e.g., Cote d'Ivoire, Togo, Cape Verde), only postal savings was separated, leaving the postal payments with the mail operator. In other cases, preparatory steps are being made to privatize the postal financial entity (e.g., Tanzania, Malawi, Senegal).

It seems though that in separation and pre-privatization processes, the relationship with the postal network is not always appreciated as an asset, but often seen as a burden (Malawi, Tanzania).

The Role of African Postal Networks in Providing Access to Financial Services	
Payments	• Account-based services for less than 0.5 million Africans—mostly teachers, military and public servants—for salary payments • Cash-based—valuable role for money transfers, collection of bills with various degrees of success, in particular if new technology is applied; in general low volumes • Not participating as an institution or infrastructure in any of the programs to develop payments systems • Risk of the postal network being marginalized in the payment system, and the cashless payment system not being widely accessible ***Access to a modern, cashless payment system is not provided, with few exceptions, and would require large-scale investments to upgrade the post office technology and security infrastructure.***
International remittances	• Product range being expanded and upgraded in particular with the UPU's International Financial Services* and Eurogiro, but actual role still very insignificant, estimated market share below 1%, except where the postal networks have an agreement with Western Union • In view of global migration, large opportunities missed ***Access to international remittance services at post offices is limited. Post offices are not positioned for a "remittances for development" concept.***
Savings	• Strong penetration, in some countries 10– 30% of adults have accounts with the post offices • Actual usage of deposit transactions very low, suggesting high number of dormant accounts; moreover, transactions concentrated in separate post bank branches or urban postal offices • Depositor confidence still dependent on state guarantee; tax exemptions create

	unfair competition • Market share value in some countries significant; in some other countries marginal • Most often a single-product offering, no range of deposit products and not linked to other services, such as remittances, payments, credit • Current savings operations and database possibly the basis for expanding toward a full offering ***Access to deposits and savings is widespread with nearly 10 million clients; actual usage, however, concentrated with less than 2 million savers. Needs an overhaul in which savings are part of product package offer.***
Insurance and pensions	• Only existing on an experimental basis in some countries; initial promising results • Opportunities not captured ***Access to insurance and pension products at post offices is non-existent, but there are some promising experiments.***
Credit	Virtually non-existent through post offices; some postal banks with small scale experience in their branches ***Access to credit at post offices is virtually non-existent, but there are some promising experiments.***
Overall	The role of the African postal network in providing financial services varies from marginal in some cases to significant or leading providers in deposit taking and transfers ***Institutional weaknesses (related to a broad range of issues, including regulatory environment, governance, management, market and business development, management information systems and technology) will need to be addressed to provide a sound and sustainable role for postal networks in expanding access to financial services.***

* The Universal Postal Union's International Financial Services is an electronic network for money transfers plus applications to access it.

The poor technical state and management of many African post offices has been a major reason for their not being included in Central Bank programs to build cashless payment systems. It is unclear if cost-benefit analyses have been done to assess:

- the cost of upgrading the postal network with payments technology, and the benefits of providing access for large parts of the population through the existing network;
- the cost of setting up and organizing new networks and locations that are widely accessible; or
- the cost of excluding a large part of the population in the long-term, leaving them behind with only cash as a payments instrument.

Payments are a financial service that every household and person uses. If postal networks did not offer access to modern cashless payments instruments, the hurdle to provide other financial services (savings, credit) on a sound, sustainable, and competitive basis becomes more difficult. Since postal markets in Africa differ so much from those in industrialized countries, it seems essential that innovative postal reform strategies should be developed for Africa rather than using strategies derived from industrialized countries. Not only are mail volumes small but their composition is different: more than 30 percent is international mail, largely business-to-business.

Postal reform strategies need to address the institutional home of the postal networks, their economic viability, and ownership and management. A key challenge will be to change postal networks from traditional mail processing outlets to a front-end for financial services and information services that also handles the mail.

From the data and experiences in the African region presented in this "landscape," some preliminary lessons can be drawn for the African region:

- Separation—of accounting, management, and organization functions—of mail and postal financial services is needed to enhance the intrinsic soundness of the financial services and to terminate non-transparent cross-subsidization the mail services;
- Separation between mail and postal financial services is also needed because mail services are part of a different sector of industry than financial services, and they require different competencies and skills. Mail services must deal with different regulations, competitors, and customers. Mail is more than 70 percent generated by government agencies, large corporations, and foreign clients, whereas the financial services in Africa primarily serve individuals, and few to no corporate clients.
- The dominant position of the mail (including its focus on the post office and its inability to create attractive and transparent conditions for sharing the postal network) paradoxically emerges as one of the main obstacles to developing the postal networks to provide access to financial services.

Some additional observations can be made:

- All of the individual post offices are state-owned, featuring high fixed asset costs, and high fixed operation cost ratios, especially in rural post offices where back offices and letter carriers are retained for sorting and collecting small volumes of mail (almost incidental). The practice of contracting small private entrepreneurs to run individual post offices could lead to better cost-efficiency and service if introduced, but would also require stronger management by the post management.
- All mail and postal financial service entities consider comprehensive national solutions, although in many cases the economy of scale cannot be achieved to justify large-scale investment in either postal or financial service operations. Alliances within African countries with banks, for example, and cross-border cooperation have not been extensively considered, especially for the outsourcing payment and financial transaction processing and database management.

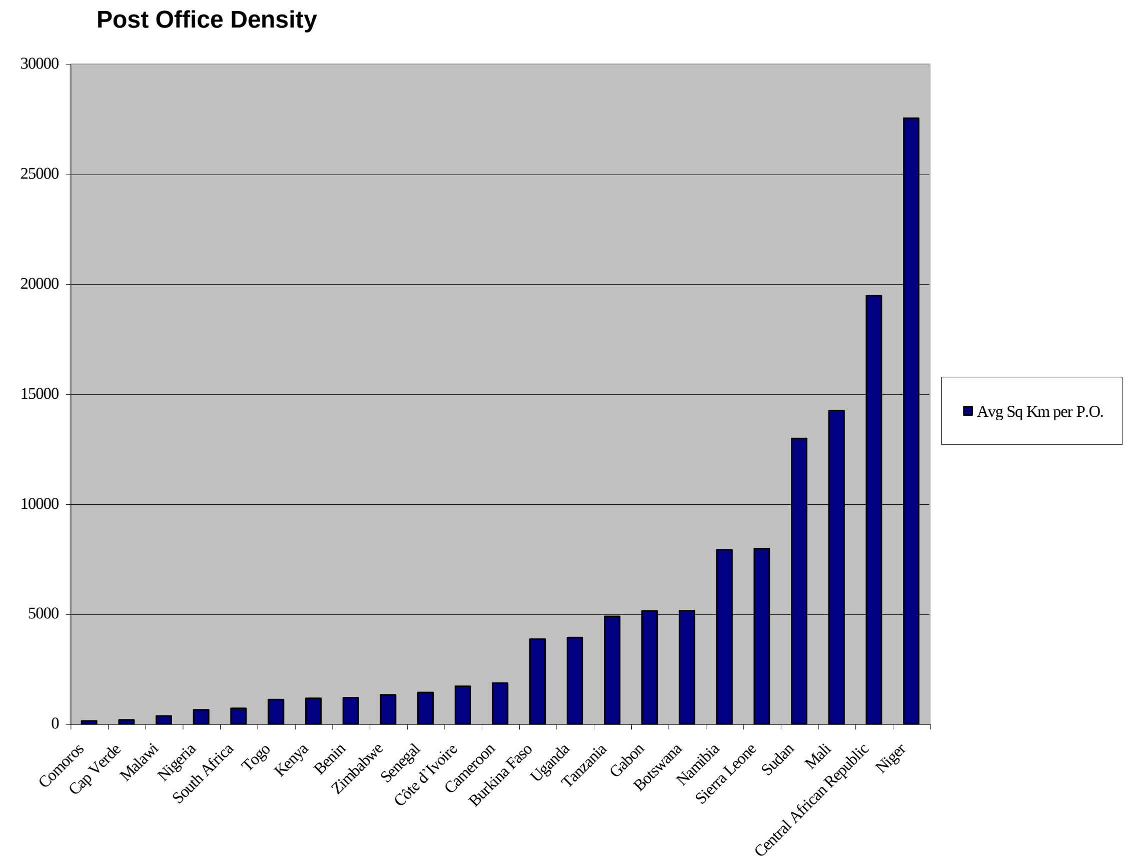
African post offices have proven in the past that they can provide a significant role in savings mobilization and money transfers. Their role has declined in past decades as other financial institutions and informal initiatives with better services and modern technology respond better to the needs of the rural and the poor communities. However, large parts of the African population remain unbanked and underserved. If postal networks were to provide access to financial services in significant scale, it would require dramatic and sweeping reform to build intrinsically strong institutions, transparent performance, and effective control mechanisms for the financial services provided at the post offices.

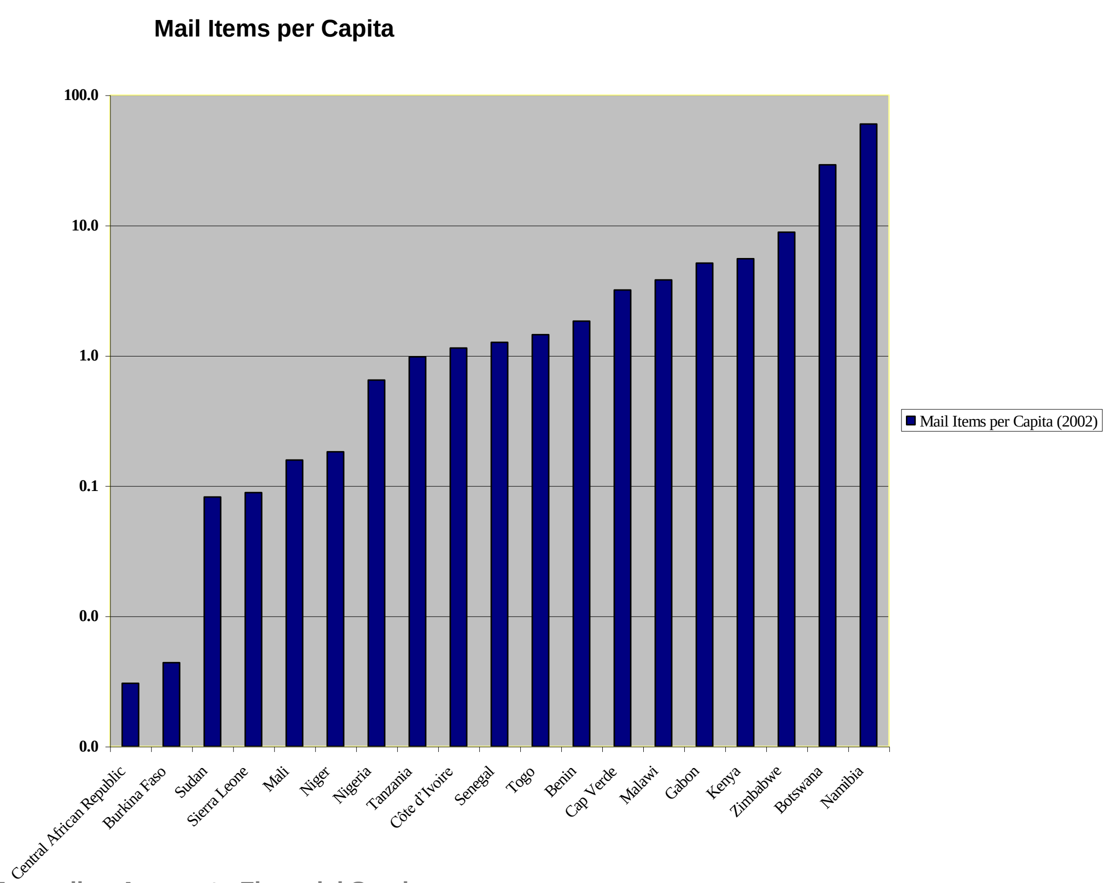
2—The Landscape of African Postal Networks

Post offices in the African region have existed for more than three centuries. They were established by the former British, French, Portuguese, Belgian, German, Italian, and Dutch colonial powers.

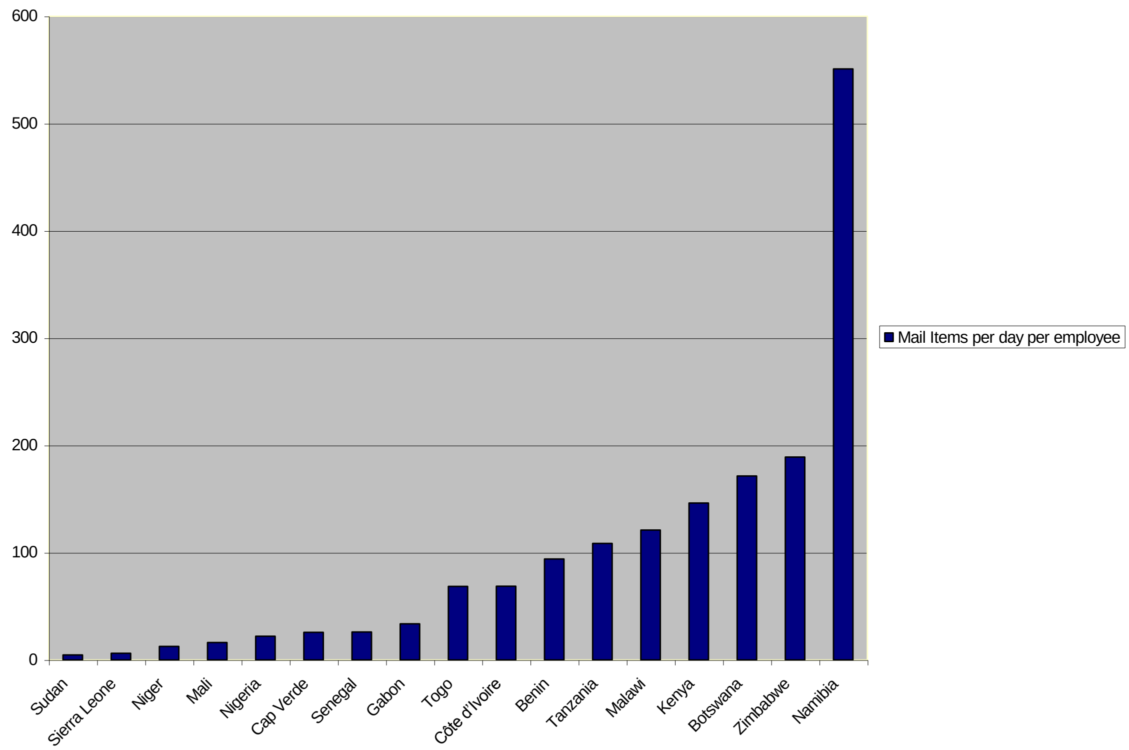
In 2002 there were more than 11,000 post offices in the African region. Nigeria and South Africa alone hold more than 7,000 of these offices, and the other 22 countries less than 4,000 offices. This implies, on average, one post office per 37,000 inhabitants, which is considerably below the ratio of one post office per 6,000 people recommended by the Universal Postal Union, the specialized agency of the United Nations for postal services. Although Pakistan, Italy, and Belarus have larger post office networks, the postal network in the African region, nevertheless, is uniquely large compared to other chains or banking networks. In fact, it is estimated that there nearly twice as many post offices as bank branches of all sizes.

The density of the postal networks, expressed in post offices related to population and related to territorial coverage in Africa, is considerably less than on other continents. There are also significant differences per country: the chart on post office density shows that Mali, Sierra Leone, Central African Republic, Sudan, Burkina Faso and Niger have less than 1 post office per 100,000 inhabitants.


Post Office Density
30000
25000
20000
15000
10000
5000
0
Comoros
Cap Verde
Malawi
Nigeria
South Africa
Togo
Kenya
Benin
Zimbabwe
Senegal
Côte d'Ivoire
Cameroon
Burkina Faso
Uganda
Tanzania
Gabon
Botswana
Namibia
Sierra Leone
Sudan
Mali
Central African Republic
Niger
Avg Sq Km per P.O.


Mail Items per Capita
100.0
10.0
1.0
0.1
0.0
0.0
Central African Republic
Burkina Faso
Sudan
Sierra Leone
Mali
Niger
Nigeria
Tanzania
Côte d'Ivoire
Senegal
Togo
Benin
Cap Verde
Malawi
Gabon
Kenya
Zimbabwe
Botswana
Namibia
Mail Items per Capita (2002)

Productivity



In area coverage per post office, Sudan, Mali, Niger and the Central African Republic have less than one post office per 10,000 square kilometers, suggesting that inhabitants would have to travel a day or more to find a post office.

Originally, post offices were established to provide mail services, and were anchors in the mail-processing infrastructure, and they still are. Mail volumes per post office differ and tend to correlate with the level of gross national income.

Did the Mail Carrier Ever Ring a Bell?

A cross-country comparison shows that the average African rarely receives mail, if at all in their life. Statistics indicate than more than 97 percent of the population receives less than three mail items per year. The volume of mail items that post offices process on an average day ranges between 50 and 1500 items.

The productivity per postal staff member varies also, from mail carriers in Sudan and Sierra Leone processing a handful of mail items, to Namibia with 551 mail items per day per postal employee. This suggests that some of the postal organizations are grossly over-staffed.

The chart on mail items per capita provides an indication of the productivity of postal staff in mail handling, showing the mail items processed per day per staff member (average).

Although the postal mail services are supposed to be the core business for post offices, oftentimes in Africa they cannot generate sufficient revenues and business volumes to achieve financial self-sustainability. This is not a recent feature and governments have taken measures to increase the utilization of the postal infrastructure by adding:

- other communication services (telephone, telegraph, telex, fax, internet);
- government and public services (government announcements, public information, registrar functions, e-government); and
- financial services (payments, savings).

The postal services and the related telecommunication services and government information services are *presumed* to contribute to the post office's function as a public communication center, and to have improved economic viability. (Data supporting this, however, is not available.) The diversification has also been the basis for cross-subsidization. Using post offices as communication and information centers has revived with the advent of the Internet, and a number of African governments[3] is reportedly looking into information and communication technology (ICT) policies that include changing the postal network to provide e-government services and/or making them tele-centers or internet cafés. Apart from e-government, e-learning is also an application considered by governments. In view of the fact that only 6.5 million African have access to the Internet, the post office infrastructure could help to bridge the gaps in the digital divide.

The basic figures shown above give a clear indication that for several countries the postal service is not and cannot be operated on an economically viable basis by mail services alone. Although UPU research indicates that postal mail volume could rise in the medium term in Africa, it is somewhat unlikely that it will reach European or American levels.

Regarding information communication technology development, how to build and maintain such infrastructure that can increase access to mail services becomes more pressing. It increasingly points to utilizing the post offices as front office for the financial sector and for the modern ICT that providing greater access requires.

On the other hand, Namibia shows that in a large territory with a small, widely dispersed population, effective marketing, and vigorous improvement of efficiency and quality of service can result in higher volume and improved revenue flow.

Postal Networks and African Postal Reform

The mail flow depends mainly on corporate and public agencies to generate mail. In many cases, 80 percent of the mail volumes are generated by less than 500 corporate clients. The needs of these entities have become increasingly sophisticated, and many of them seek one-stop service. African postal operators that cannot muster a timely respond to more sophisticated client needs are likely to be left servicing the mail of public agencies only.

African postal operators witnessed dramatic changes in their business which they once operated as a monopoly. Competition in the courier, express, and parcels arenas appeared from international operators and local private operators. In most cases, national postal operators have been left with insignificant market shares in these liberalized high-margin business segments, since the framework to regulate competition is weak or absent.

New technologies, such as fax, e-mail, mobile communications, etc., more and more are being substituted for existing mail flows. In the African postal mail flows, where the international business-to-business segment is quite active, the impact of technology substitution may be more significant than with postal operators with primary business-to-consumer (and vice versa) flows.

The impact of liberalizing the postal market also implies that governments are less likely to financially support (or be able to) the national postal operator in favor of private-sector competitors. It also implies the need to improve cost accounting to distinguish between the cost and revenue from reserved areas and the liberalized area.

As a response to changes in the core postal market, African postal operators should seriously look at diversifying into other services that can generate revenues while utilizing the same postal staff and post office infrastructure. The drive for diversification seems to fan revived interest by the African posts in financial

[3] For example, Tanzania, Mozambique (in the framework of a World Bank program) and South Africa.

services that can be provided over the postal counters. These revenues could help offset declining revenues or margins in the core businesses of the postal operators. However, it poses a risk. If the core mail business of a postal operator is not economically sound and healthy, the temptation to seek cross-subsidization remains alive.

The primary issues in African postal reform is to respond to the challenge of building a healthy and viable postal service whose core business is self-sustaining in a liberalized and increasingly globalized market.

3—Africa Country Profiles and Overviews

Country-by-Country Profiles

Benin	
	The national postal operator is "La Poste" which operates 149 post offices with 519 staff. La Poste operates a Centre des Cheques Postaux (CCP, 1925), and Caisse Nationale d'Epargne du Benin (CNE, 1920). The government and postal management consider the transformation of the postal financial services into a postal savings bank as a priority. A first business plan exercise has been undertaken with assistance of the UPU and the Netherlands. Benin's largest bank, Ecobank, has 8 branches and total assets in excess of USD 20 million, and the second largest bank, Financial Bank, has 6 branches, serving nearly 12,000 clients, with total assets of just over USD 5 million. Against this background, the more than 30,000 postal checking accounts, 362,580 postal savings accounts, and total assets exceeding USD 52 million position the postal financial services as the largest financial service provider in the country. In addition to the classic range of services, several credit products have been developed, such as advances (to cover overdrafts) on salary deposit, study loans, and travelers' insurance. The outreach and nationwide coverage is unequaled by any of the formal financial institutions. CNE has agreements with Ecobank for money transmission to West African countries and with several other CNEs and postal administrations. The strategic vision of Benin Post is to restructure the CCP and CNE and to merge them in 2005 into one postal banking entity, licensed by the Central Bank and managed autonomously, but continuing to operate through the post offices.
Botswana	No data available
Burkina Faso	
	SONAPOST is the postal operator of Burkina Faso with 71 post offices and 738 staff. It also provides financial services with 56 dedicated staff. Total deposit funds collected stood at USD 42 million at the end of 2002. The Caisse Nationale d'Épargne (CNE) was established in 1960 under the aegis of the Post and Telecommunications. From 1976 until 1987, CNE was transformed into a special independent financial institution utilizing the post offices. In 1987 CNE was merged with the post office to become SONAPOST. SONAPOST—reportedly—manages 230,000 traditional postal savings accounts, and 7,000 postal checking accounts. On a small scale, a life insurance/pension product has been launched, meeting considerable interest and more than 4,500 new accounts. Also microfinance is an area of interest, but a real course of restructuring financial operations to align and be compliant with financial sector regulation has not been set. With an average of 3 mail items per day per post office and 15 financial transactions per post office, there is clearly a need for innovative solutions to restructure the postal

and financial services.

Cameroon

The Caisse d'Épargne Postal had a market share of 5% in total savings in Cameroon with 800,000 saving accounts and USD 60 million in deposits. I had 221 staff and 5 of its own branches. (There are 256 post offices.) In addition CCP (Centre des Cheques Postaux) reportedly operates more than 50,000 postal giro accounts.

The Postal Savings Bank was separated from the postal service in 2001 as a separate entity without equity, and ran into severe liquidity difficulties in late 2003. A large part of the assets has likely been misappropriated by the postal management. In March 2004, the liquidity situation worsened, with a run on deposits. Since 2002 a rehabilitation program with support from the World Bank is strengthening the institutional capacity of the Postal Savings Bank and its partnership with the Postal Service, clean up its balance sheet.

Cape Verde

Correios de Cabo Verde

The postal service of Cape Verde has 54 post offices and 221 staff.

In 1928 Caixa Economica Postal was established as part of the postal service to operate through the post offices. The Postal Savings Bank was transformed into Caixa Economica de Cabo Verde (CECV) in 1985, directly responsible to the Minister of Finance. It continued to render services through the post offices, but lost some of its focus. The CECV has 10 branches only.

The postal service launched new financial services initiatives, which accounted for more than 25% of the deposits generated. The Correios also provides a wide range of payment services, including international remittances that are important for the large Caboverdian community outside the country. The postal service clearly sees the financial services as an area of development.

Central African Republic

No data available

Comores

The Islamic Republic of Comores has 130 staff in 29 post offices, of which 16 offices provide financial services. The post offices provide postal savings and money transfer products through the Caisse Nationale de Comores which was created in 1980. It currently has 1050 savings accounts on its books. In 1996 the post was separated from telecommunications. Subsequently, the World Bank commissioned a study to look at the reform and private-sector participation options. The main findings pointed out that there was no investor appetite in view of the micro-scale of operation and small size of the market.

Republic of Congo

SOPECO is the postal operator of Congo. It was separated from the telecommunications in 2003. Following this separation, a new institutional and legal framework was developed. SOPECO has been established as state-owned company that carries out both postal and savings activities. A diagnostic assessment of the strategic options to develop the postal and savings activities will take place in 2004.

Cote d'Ivoire

The postal service of Côte d'Ivoire has a network of 188 post offices. Under an agreement with the International Monetary Fund, the government decided to separate the postal financial service entities (suffering from severe cash-flow problems) in June 1998 from the mail services and to merge them into one entity, the Caisse d'Épargne

CAISSE D'EPARGNE ET DES CHEQUES POSTAUX	et des Cheques Postaux (CECP). This institution is managed separately from the postal service, but continues to use nearly all post offices as front offices under a long-term contract. The CECP contributes to the expenses of running the postal network. The CECP has more than 800,000 deposit accounts and 50,000 giro accounts, and has recently launched a Smart Card program. CECP is estimated to have a market share of nearly 10% of rural household savings with a value of USD 96 million. The CECP received assistance in determining its strategy and business plan in order to transform itself into a fully-fledged financial institution. To this end, the CECP will have to be capitalized.
Gabon	
	The Gabon Post operates through 58 post offices. After independence, the postal savings bank function continued on the basis of a specific law in 1964, under which the Caisse d'Épargne Postal was created as a unique financial institution and legal entity. Although a separate entity, the law stipulated that the savings fund was to be managed by the postal service, and that the director general of the postal service would be the CEO of the savings fund. The CCP operates more than 11,000 postal giro accounts, and the postal savings bank more than 180,000 savings accounts, with 270,000 transactions at post offices in 2002. Deposit balances exceed USD 40 million. Until 2002 the deficits of the postal services—processing very low mail volumes—had been cross-subsidized by Gabon Telecommunications. When this practice ceased, the Gabon Post found itself in a difficult financial situation, and used a large part of the postal saving deposits to cover deficits. A program to assist the Gabon government in rehabilitating the postal service and the associated financial services is under consideration.
Kenya	
	Kenya Post was established in 1998 as the national postal operator, separate from Telecommunications. It operates with nearly 900 post offices. About 50% of the post offices provide financial services. The Kenya Post Office Savings Bank (KPOSB, or Postbank) was separated in 1978 from the KPT Corporation. The bank still operates under a KPOSB Act. There is a long-term agreement with Kenya Post to utilize the postal windows, but the Postbank focuses on its own network of 31 branches and 35 sub-branches, located in larger (urban) post offices. The product range of the Postbank has widened over time and includes various types of savings/deposits, including microsavings, credit cards, international money transfers, and payments. There are an estimated 1.6 million savers and 0.8 million dormant accounts, with a total of USD 123 million deposits. According to Postbank, more than 70% of its business is handled through its own branches. This leaves the potential value of outreach through the nearly 900 post offices versus the 620 bank branches largely unutilized. The actual business flow has lead to dissatisfaction with the Kenya Post, and to an initiative to establish an alternative savings and payments operation.
Madagascar	
	Under an agreement with the International Monetary Fund, the government of Madagascar will commission a financial and operational audit of the Centre des Cheques Postaux, which operates under the Post. It has considered the option of separating it managerially and developing it viably. This intended separation came after the separation of the Caisse d'Épargne de Madagascar that became independent from the Post in 1995, although some operational links were maintained between the savings bank and the Post.
Malawi	

	Malawi Post was created as operator company in 1998, when it was separated from telecommunications. Malawi Post operates through 324 post offices. On the basis of the new Communications Law of 1998 and subsequently drafted postal sector strategy, Malawi Post set out to modernize and become financially self-sustainable. The payments system is still cash-oriented and paper-based. With its 324 post offices (with 131 agencies), the Malawi Post plays an important role in the payments system, compared to the 32 bank branches and 20 sub-bank branches. In 1989 the Malawi Post Office Savings Bank (1911) was transformed into the Malawi Savings Bank (MSB), under the supervision of the Reserve Bank of Malawi. It operates 15 of its own branches and has USD 15 million, nearly 4% market share in the deposit market. The MSB operates independently from the Post, but has an agency contract with the post office to use 174 post offices. This made the MSB the only savings bank present in rural areas. Currently the government of Malawi and the World Bank plan to appoint advisers to undertake a strategic and operational review of the Malawi Savings Bank and the Malawi Rural Finance Corporation as a preparatory step toward privatization. In order to enhance the attractiveness of the bank for potential investors, the decision has been made to reduce agency services through the postal network. In its commercialization process, Malawi Post considered the expansion of the range of financial services, including the re-introduction of postal savings. It remains unclear remains if and how this can be done. .
Mali	No data available
Mauritania	
	Mauripost is the postal operator of Mauritania. It has 62 post offices and provides postal savings and post giro accounts (Caisse Nationale d'Epargne, CNE; and Centre des Cheques Postaux, CCP) as part of its operations. The CNE postal savings are provided at 25 of the 62 post offices, and represent a total deposited balance of USD 4 million. Mauripost has been assisted by a World Bank program (1999-2002) to upgrade, and has been equipped with advanced technology and communications. Under this program, the separation of the Postal Savings Bank and its merger with another local bank was prepared and occurred in 2004.
Namibia	
	The national operator of Namibia is NamPost. It operates with 90 post offices and 793 staff. NamPost is one of the most successful postal operators in the African region. For a long time, the NamPost Savings Bank was run as a government department. In 1994, it was transformed into a separate strategic business unit but remained a department of the Namibian Post Office (NamPost) and under full government control. NamPost Savings Bank is mainly a savings institution offering demand and fixed deposit products and does not currently give out loans. Its funds (USD 30 million) are in the inter-bank market and in government securities. Its key advantage over the commercial banks is that interest earned on POSB savings and investment products is exempted from tax. With a minimum balance of NAD 10 (Namibian dollar), the products are aimed at low-to-middle income clients and costs are kept low. This is despite the fact that all transactions are over-the-counter (NAD 2 per withdrawal and NAD 1 per deposit). NamPost Savings Bank counters are present in all 90 post offices, which compares well to the 90 bank branches and 57 bank agents and 190 ATMs. Currently NamPost Savings Bank has more than 200,000 accounts, nearly 20% of the adult population, and represents 45% of all savings accounts held in the country.

	These savings accounts do not allow debit orders and, therefore, do not facilitate the expansion of other financial services, such as insurance. NamPost Savings Bank is not regulated by the Bank of Namibia. It is currently investigating the possibility of providing loans as well. The wide distribution network places NamPost Savings Bank in an ideal position to provide credit to rural areas. A feasibility study is being done, and afterward new products will be finalized and rolled out.
Niger	
	ONPE, the National Office for Posts and Savings in Niger has 51 post offices with 672 staff. The mail volume processed does not exceed 2.5 million items, less than 0.2 per capita per year. On average, the workload per postal staff consists of 13 mail items and 3 monetary transactions per day. There are 167 mail items per day versus 39 financial transactions, per post office. A Caisse National d'Épargne was established in 1970 under the aegis of the post office, but operations ceased in 1992 due to mismanagement of the assets. Currently 118,000 postal savings accounts are reported to be active and the Centre des Cheques Postaux has more than 38,000 postal checking accounts (mainly for teachers, military, and government personnel). With a reported total of 500,000 transactions, the post office is an important link in the payment system. The government has agreed with the IMF to restructure the postal and financial services. Studies and preparatory activities are under way—with support of the World Bank—which is expected to create a postal bank, independent from the mail service (and independently managed), but it continues to use the postal network. The postal bank is likely to be involved in microfinance activities.
Nigeria	
	When the postal services in Nigeria were separated from telecommunications in 1987, it established NIPOST, Ltd., a state-owned company operating at arm's length from the Ministry of Transport. NIPOST has recently upgraded the quality of its mail services (such as two-day delivery within the country) and has advanced the computerization of its postal counters. NIPOST provide postal money transfer services via its large postal network of 4,559 post offices. This is nearly half of all the post offices in Africa and it employs more than 14,000 staff, which makes it the second largest postal operator in Africa. Nigeria was the home of one the first post office savings banks in Africa (1884), but its services were terminated in 1980s. Under the current modernization program, reintroducing POSB services is under consideration.
Senegal	
LA POSTE	La Poste is the postal operator of Senegal, with a network of 137 post offices and nearly 2,000 staff. Under new management since 2001, La Poste has begun modernizing and commercializing itself, and has changed from a loss-making operation to break-even. Several partnerships with the private sector have been established. La Poste has operated for a long time as a Centre des Cheques Postaux and Caisse Nationale d'Epargne services division. The 120,000 savings accounts and 16,000 giro accounts represent with more than USD 50 million, a 15% market share of the household savings market. Recent studies have pointed out that La Poste could serve a larger part of the population. In the context of liberalizing the postal sector and restructuring La Poste, a Banque d'Épargne Postale (BEP) has been established which continues savings and giro services and expands into other financial services, such as micro-finance. To this end, the bank will be capitalized and its balance sheet, management, and operations

	will be aligned with the requirements of the Central Bank. It is envisaged that the BEP will have private sector share-holders and La Post as a minority shareholder. The bank is supposed to continue its operations through the post offices.
Sierra Leone	No data available
South Africa	
	The South Africa Post Office (SAPO) operates through a huge number of post offices and retail points, the densest retail network in the country. SAPO has been separated from telecommunications in October 1991. The government set out a new course for SAPO where the post office was restructured as a financially self-sustainable operator, eventually to be privatized. (This process has been quite slow.) The South African Post Office Savings Bank was established under Treasury/Ministry of Finance in 1884, and was transferred to the post office in 1958. In 1991 the POSB became fully controlled by SAPO and remained outside the financial sector. In 1993 POSB operated under a new commercial name, Postbank, with a publicly advertised aim of servicing underprivileged and unbanked communities. In 1995 the Strauss Commission looked further into the role of Postbank and the measures required to reposition it: separation from SAPO and transformation into an independent financial institution licensed by the Reserve Bank of South Africa. The potential role of Postbank in providing services to the 17 million South Africans currently unbanked has been highlighted in studies and discussions within the financial sector. Postbank maintains nearly 3 million postal savings accounts for an estimated 2.3 million clients. These numbers do not differ much from 10 years ago. For withdrawals, Postbank has added the functionality of an ATM card, but has not made major efforts to introduce payment accounts. The post office helps disburse pension, social benefits, and utility bills mostly with paper-based instruments and cash. In the past year, the biggest South African banks, e.g. ABSA, have undertaken large-scale initiatives to improve access to the financial sector with modern instruments. The Postbank has not done much to fill in the gaps for the poor and has not lived up to its original mission. The main explanation is that SAPO does not want to give up control of Postbank and transfer it to the supervision of the Reserve Bank, particularly since SAPO uses the funds from small and poor depositors to provide low-cost loans to itself.
Sudan	No data available
Tanzania	
	The Tanzania Post Corporation was established in 1994 when it separated from telecommunications. With support of several World Bank programs and under visionary management, Tanzania Post has managed to evolve as one of the leading postal operators on the African continent, providing a broad range of postal and courier services, as well as payment services. Following examples from Western Europe (Sweden, the Netherlands), it has established a fairly efficient money transfer services. The Tanzania Post Office Savings Bank was split away from Tanzania Post before 1994. After liquidity problems and disruption, it was established as Tanzania Postal Bank under a special act of 1991 and brought under the supervision of the Bank of Tanzania. The bank continued to work with the post offices for savings mobilization, but also developed a branch network of its own (17 branches plus 24 sub-branches in post offices). This accounts now for more than 70% of current business operation and absorbs the attention of management. In 2003, and in agreement with the World Bank, the Tanzania Postal Bank was earmarked for privatization. A study to assess the feasibility of the privatization options

has been undertaken, but within the framework of the privatization process, the role of the post offices may need further review.

Togo

The Société des Postes du Togo operates postal mail services with 52 post offices and 400 staff. Previously the Post operated the financial services (Centre des Cheques Postaux—CCP, and Caisse Nationale d'Epargne—CNE), but due to severe financial problems, the government agreed with the IMF to separate the savings operation (CNE) from the post. This resulted in the creation of the Caisse d'Epargne du Togo.

The savings bank decided to expand its own network and currently has 44 branches. Subsequently the management of the savings bank lost interest in working through the postal network, although there is still some cooperation place. The CCP, which was established in 1958, has continued to operate under the wings of the post and developed its product range with more money-transfer instruments. Recently the Post has re-introduced postal savings through the CCP, named SECURITIS, as a deposit product linked to postal giro accounts. More than 2,000 new accounts have been opened.

Uganda

Uganda Post was separated from telecommunications in 1996-97 and incorporated as Uganda Posts, Ltd. The World Bank rendered assistance to the Ministry of Finance (privatization unit) to develop a business structure and plan for the Post and to reposition the Uganda Post Office Savings Bank (UPOSB).

UPOSB was established in 1937, and although the Ministry of Finance is the owner, the actual management and operation are fully controlled by the postal services. (It should be noted that in 1997 postal savings were still manually operated and had a15-year backlog in accounting.) Approximately 15,000 accounts showed activity, and more than 150,000 were presumed dormant. Remarkably the UPOSB had accumulated more than USD 5 million in reserves, which were reinvested in European banks through Crown Agents.

After 1998 UPOSB was changed into the Postbank of Uganda, and offered services in only 11 of the 360 post offices, and therefore takes no particular advantage for outreach that the dense postal network offers to provide services up country.

Zimbabwe

The postal and telecommunications enterprises in Zimbabwe went through a sweeping reform process in the late 1990s, creating ZimPost as the national postal operator with 198 post offices, 90 agents, and nearly 3,000 staff. The Post Office Savings Bank (POSB) was established in 1904 and operates through the post offices. It involves 739 staff (also specialized staff at post offices) and has collected USD 276 million in deposits and issues USD 130 million in loans.

POSB has been one the last companies from the former postal/telecommunications enterprises to undergo restructuring. It was incorporated in 2001, and its statute has been changed (2004) to comply with the requirements of the Reserve Bank of Zimbabwe. New management from the private sector has been recruited, and as part of its commercialization process its name was changed to People's Own Savings Bank. The bank is restructuring its assets from traditional long-term government securities into commercial loans, including to small entrepreneurs.

The financial sector in Zimbabwe is relatively well developed, with approximately 500 branches and agencies for banks and building societies, and 400 ATMs connected to Zimswitch. The nearly 200 post offices complement the financial infrastructure, and provide access to approximately 11% of the adult population.

Cross-Country Overviews

Product Diversification

Country	Cash Payments	Postal Giro Accounts	ATM Cards	Int'l Remittan-ces	Postal Savings	Life Insurance /Pensions	General Insurance	Credit
Benin	4	4		4	4		4	4
Botswana	4			4	4			
Burkina Faso	4	4		4	4	4		
Cameroon	4	4		4	4			
Cape Verde	4			4	4			
Comoros	4	4			4			
Republic of Congo	4	4			4			
Côte d'Ivoire	4	4	4	4				
Gabon	4	4			4			
Kenya	4			4	4			
Malawi	4				4			
Mauritania	4	4		4	4			
Namibia	4				4			
Niger	4	4			4			
Nigeria	4							
Senegal	4	4		4	4			
South Africa	4		4		4			
Tanzania	4			4	4			4
Togo	4	4			4			
Uganda	4			4	4			4
Zimbabwe	4		4		4			4

The table above shows that the product range has remained basic and narrow, where savings and cash payments still predominate. In the Francophone countries, the postal giro accounts have been a historic service. The majority of the countries also provide international remittances.

The slender scope of products is clearly a legacy of the past, when financial services were part of a public (monopoly) service offered by the state. The services are liability based, with the intention of excluding individual credit-risk assessment at the post offices. The growing interest from the posts and postal banking entities to widen the range of services, however, is closely related to the limitations of the current legal frameworks.

Institutional Aspects of Postal Financial Services

Country	State Ownership	Independent Legal Person	Regulator	Relation to Post Offices	Shared Functions with Post
Benin	100%		Gov't	Internal	M + Ops
Botswana	100%	Botswana Savings Bank	CB		
Burkina Faso	100%		Gov't	Internal	M + Ops
Cameroon	100%	Caisse d'Épargne Postal	Gov't	Internal	M + Ops
Cape Verde	100%	Caixa Economica de Cabo Verde	CB	SLA	
Comoros	100%		Gov't	Internal	M + Ops
Republic of Congo	100%		Gov't	Internal	M + Ops

Côte d'Ivoire	100%	Caisse d'Épargne et des Cheques Postaux	CB	SLA	
Gabon	100%		Gov't	Internal	M + Ops
Kenya	100%	Kenya Post Office Savings Bank	CB	SLA	
Malawi	100%	Malawi Savings Bank	CB		
Mauritania	100%	Caisse Nationale d'Epargne	CB	SLA	Ops
Namibia	100%	NamPost Office Savings Bank	Gov't	Internal	Ops
Niger	100%		Gov't	Internal	M + Ops
Nigeria	100%		CB		
Senegal	100%		Gov't	Internal	M + Ops
South Africa	100%	Postbank	Gov't	Internal	
Tanzania	100%	Tanzania Post Bank	CB	SLA	HR
Togo	100%	CECP	CB		
Uganda	100%	Postbank	CB	SLA	
Zimbabwe	100%	Post Office Savings Bank	CB	SLA	

Legend: CB= Central Bank; Gov't= government; SLA= service level agreement; Ops= operations; M= management

From the overview above, it appears that all postal financial service entities are still fully state-owned. In most cases, there is one owner only (the state), but in the case of the Tanzania Postal Bank there are three state shareholders, including the Post.

About 50 percent of the postal financial service entities have a status of legal person, independent from the posts. Of those entities, about 50 percent owns its legal status to specific legislation, and only few have been incorporated (Uganda, Tanzania). Initially, all postal financial services operated outside of the financial sector, and were not regulated by the Central Bank (or Reserve Bank). During the past 10–15 years, this has significantly changed. Currently 50 percent of postal financial service entities is under some supervision by the Central Bank.

Relations for utilizing the postal network differ widely. In some countries, the savings bank operates on the basis of historic habits (i.e., Botswana), some on the basis of internal working instructions (mainly Francophone countries), and some under contracts or service level agreements between the postal financial service entity and the post, regarding use of the postal network. In none of the cases does the postal financial service entity have control over the postal network.

Use of postal networks tends to decline if or when the postal financial service is separated from the post and is commercialized. As shown by Tanzania, Uganda, Togo and others, the focus shifts to managing postal bank-developed networks while the cooperation with the post features growing dissatisfaction. The case of Malawi, where the Malawi Savings Bank terminated its contract for usage of 147 post offices in order to beautify its condition prior to privatization, is another example.

4—The Landscape in Perspective

Historic Models of Financial Services in Africa

The postal financial services in Africa were introduced by former colonial powers at the end of the nineteenth century and beginning of the twentieth century. In South Africa (Cape Colony), a post office savings bank was created in 1884. In Nigeria a Post Office Savings Bank was established in 1886, Rhodesia followed in 1904, East Africa in 1910, Senegal in 1920, Benin in 1920, Cape Verde in 1928, Cameroon in 1939.

In most cases, the legislative and institutional legacy is still in place. Given the changes in the environment, the call for reform has grown. And since the early 1990s, the majority of African countries have reformed their postal financial institutions. These attempts to reform have achieved various degrees of success and impact. The historical models that are most widely applied in Africa are French, British, and Portuguese.

French

The model in Francophone Africa typically features a Centre des Chéques Postaux (Postal Check Accounting Center) operating under the aegis of the postal operator and providing account-based payroll services (mainly for citizens employed by public institutions) where direct credit transfers are made directly into recipient accounts. The receivers are able to withdraw funds from their account at the post offices as their balances permits, or send payment instructions to settle utility bills, rent, taxes, school fees, etc.

In most cases, there is also a relationship with the Caisse National d'Epargne (National Savings Bank), which functions as a postal savings fund and is actually managed by the post. In several cases, the Caisse Nationale d'Epargne channels funds to another national fund which does the actual asset management, or directly deposits funds in Treasury paper, or titles approved by the Treasury. The financial sector authorities (Central Bank) do not regulate the two postal financial entities, but specific legislation applies.

Under the French model, most of the financial functions are directly within the scope of the postal services. In the historic development, the functions of the Ministry of Finance were transferred de jure (e.g., South Africa, Post Office Act of 1958) or de facto to the postal service.

British

The British model featured paymaster-general functions, such as cash disbursement of wages and salaries to teachers, military, and public servants; and collection of taxes and utility bills. In most cases, a post office savings bank (POSB) is operated under a statutory agency agreement between the Ministry of Finance and the Postmaster-General. The POSB is a unique legal entity established by specific legislation. In the British model, the Ministry of Finance is presumed to have an active role as owner of the post office savings bank. The ministry is supposed to appoint the director of POSB, overview the asset management, and set product conditions (i.e., interest rates).

Because a check is a credit instrument, the traditional banks in former British territories excluded virtually all indigenous Africans from checking accounts and even deposit accounts. For the lower and medium rural income groups employed by public institutions, salary payments were and are settled by checks drawn on public banks that can be cashed at the post office or deposited into a postal savings bank. There was, however, no incentive or legislative basis to set up an account-based payment system through the postal service, and in most cases, post office savings banks did not develop this on their own until they noticed that banks and building societies had made these services more widely available to their clientele. This led (for example, in Zimbabwe and South Africa) to the introduction of ATM cards linked to savings accounts, but did not allow money transfer functions with savings account.

Portuguese

There is a legacy model of the Caixa Economica Postal, in Angola, Mozambique, and Cape Verde. The Caixa is another version of the postal savings fund and managed by the post. The Caixas Postais were set up as entities with their own legal status under the management of the post, focused on deposit collection and re-investing these funds in the Treasury or a general state fund (Caixa Geral). In addition to the savings function, the post operates various money transfer functions.

In some other countries (Tanzania, Kenya), a different course was taken by reforming the POSB into a postal bank (or a savings bank in Botswana) and licensed financial institution. Similar steps have been taken in Zimbabwe and Uganda. Discussions in Senegal, Benin, and Niger have been held to integrate the CNE and CCP into one postal banking entity licensed by the Central Bank authority.

The history and economic development of the African countries and the road to independence has been quite diverse and this has had its impact on the evolution of the postal networks, the institutional frameworks, and product ranges provided at post offices. The winds of change from the early 1990s that induced separation of post and telecommunication resulted in a shake up of postal financial service operations. Postal financial operations, that once used to thrive as pseudo-monopolists in the absence of alternative providers, have increasingly faced competition from micro- and retail banks to provide cost-efficient modern services to a larger part of the population. The advent of new technologies (such as the Internet) led to stronger demand for international remittances services and resulted in changed demand patterns for postal financial services, especially for comprehensive microfinance solutions. This poses new challenges for the postal services and postal savings banks. The breadth and depth of on-going efforts to reform the postal financial services with the aim to reduce the poverty can truly be classified as a renaissance of the postal savings banks in Africa.

Postal Networks as Points of Access into the Financial System

Although postal networks are not very dense in the African region, compared to other regions in the world, they are in general considerably larger than the existing formal infrastructure for financial services (bank branches, sub-branches, ATMs, EFT-POS terminals, etc.).

Data for several countries show that there are two or three times more post offices than bank branches:

- Botswana—79 bank and sub- branches compared to 183 post offices
- Namibia—78 bank branches compared to 195 post offices
- Tanzania—203 bank branches compared to 422 post offices

Post offices in these countries could provide more than 60 percent of the physical points of access for the financial system, if postal networks were indeed involved. This presents the post offices with the opportunity to provide a larger part of the population with access to the formal financial sector. However, because electronic (or cashless) payments systems in African countries have not been developed widely, the need for dense physical points of access is critical for the development of an efficient and stable payment system that is attractive to small savers. The actual role of the post offices and their associated postal savings banks or postal check services seems relatively marginal in Africa if one considers the data of the UPU.

PRO	CON
Most bank branches are already concentrated in urban areas, and existing private- or foreign-owned commercial banks tend to cut back rural branches, to protect branch profitability	Instead of traditional branches, banks introduce alternative distribution concepts, such as agents, mobile outlets, and self-service options. In addition, the financial sector features more and more microfinance institutions that are locally organized and very close to the rural poor, but often small in scale. These institutions have direct control over their networks and can rapidly develop.
New technologies led to stagnation of the already small mail volumes between companies, public agencies, and urban/wealthier individuals. For a large part of the population that lives in poverty and in rural areas, access at home or work to Internet appears not to be feasible in the next few years. Post offices could though be used to as centers to provide e-learning and access to Internet for e-mail.	A large number of post offices currently are not equipped with modern technology, and their infrastructure does not provide the basic facilities and security to install such technology. Also staff needs extensive training before being able to serve targeted users. The cost of revamping the postal networks might be higher than setting up new and more efficient outlets.
Post offices provide an existing nationwide network, with the majority of the post offices in rural areas and fairly evenly spread throughout the country. They have a long-tradition in providing very basic and small-value financial services, such as money transfers and savings. Examples of several post offices demonstrate that they can reach a significant portion of the population.	In many cases, the role of post offices to provide financial services has been achieved through a quasi- monopoly and through government intervention (including deposit insurance and tax exemption). These economic benefits offered by the post office actually attracted the white-collar population. Virtually all post offices in Africa have developed financial services outside of the financial sector, and until recently many of them lack the licenses, management, skills, and systems to provide financial services on an effective and competitive

	basis. As a result of their inadequate institutional setting and supervision, a large part of the African postal (financial) systems have failed and faced immediate liquidity crises.

In information provided to the UPU by the African postal administration, only 7 million transactions were recorded for 3.5 million postal giro/check or savings accounts. It should be noted that this likely is only a part of the total postal financial services. In several cases, the postal administrations do not provide data on the services and accounts that are managed by an associated institution, e.g., a POSB, Postbank, Caisse Nationale d'Épargne, or another external financial institution. Data are often also not included in Central Bank overviews of the payment systems or consolidated financial sectors. If one includes data reported through other sources (such as the individual postal banks, postal savings funds, postal check centers, and some central banks), the total adds up to 9.5 million accounts. Given the fact that a large number of the transactions are not account based, it suggests an average of one transaction per account per year. This figure only highlights the large number of dormant accounts maintained by POSBs and postal administrations.

In fact, in the majority of African attempts to restructure or rehabilitate the postal financial services are or have been made, but the impact is not significant. The question to be answered is whether postal financial service reform can significantly contribute to providing access to financial services; and if so, what options and approaches will implement reform effectively.

Postal banking institutions in Africa tend to be small local non-bank financial institutions with a strong focus on savings, payments, international remittances, and in some cases microcredit and insurance. Cross-border or regional postal financial institutions do not exist in Africa.

Even though current postal financial services in Africa appear to leave much of their potential untouched, they clearly are the economic engine of the post office networks.

The Role of African Post Offices in Payments

In most African countries, the national payments system is cash-based and has paper-based payment instruments, such as postal money orders. The volumes of payment transactions settled through post offices are relatively low; UPU statistics suggest less than 1 payment per capita per year, which means that post offices are only used incidentally. Centres des Cheques Postaux (CCPs) tend to have small numbers of accounts, and none have developed products jointly with the Caisses Nationale d'Epargne (CNE), such as a savings account linked to a postal checking account. Instead, both entities tend have separate product lines.

In most of the African countries, large-scale projects to upgrade payment systems are underway. In none of these is the post office involved or envisaged as being able to implement and promote cashless payment instruments on a large scale. Moreover, in nearly all cases, neither the post office nor the postal bank are members of, or linked to, a check clearing house; instead they must settle directly with the involved financial institutions.

If individuals could actually open payment accounts (debit cards, giro accounts, etc.), banks can keep track of their payment behavior and over time use the payments system infrastructure to offer other financial products, such as savings and credit. With the involvement of large numbers of participants in the payments system, the cost per transaction can be lower, it can be more efficient, and more funds in transit can be accumulated.

Why postal networks are not included in the design of new cashless payment systems is unclear. It may stem from a lack of interest by the postal organizations and postal banks, but not including it would slow down the development of efficient and easily accessible payment systems. Without many access points, associated payments infrastructure (ATMs, EFT POS terminals, etc.) and cashless payment instruments will remain more expensive and small volumes (and low revenue) can thwart efficient standardization. Ultimately the payment system remains accessible and available only to the medium and higher income groups. A policy to improve access to financial services would have to start by offering a very broad section of the population access to cashless payment systems. This should make postal networks attractive as points of access to the cashless payment system and ultimately help present a better business case for the development of cashless payments systems.

The Role of Post Offices in International Remittances

In view of the growing numbers of Africans migrating to work abroad (to the United States and Europe), there is also a growing business flow of sending money home. According World Bank data (global econ prospects), these flows amounted to USD 167 billion in 2005. Post offices used to play a very significant role in international remittances through their universal service of international postal money orders. However, this product lost much of its attraction, as it is slow, cumbersome, and relatively costly, and in some cases the money never arrives. Complaint ratios are above 10 percent and an increasingly large number of industrialized countries terminated the paper-based service after September 11, 2001, because the process easily allows money laundering and sending crime- and terror-related funds.

Remittance services offered by other parties, such as MoneyGram and Western Union, have captured a large part of the market for international remittances, and some postal services are agents via agreements with these providers. Some postal services have upgraded their own money transfer products. West African postal operators have developed regional solutions, involving regional banks, such as Ecobank. Another solution available for money transfer traffic between France and Francophone-African postal services is one of the applications offered by the Universal Postal Union’s IFS, which brings more efficiency and speed in data communications. Traffic volumes are still very small.

A more advanced solution is “Eurogiro” which comprises a network of more than 40 postal services and postal banks. Togo and Senegal became members in 2003, and have recently started to exchange payments.

The role of postal networks in international remittances is marginal; data suggest that less than 1 percent of formal remittance flows are routed via the postal networks. In some countries (Tanzania, Senegal), the role is more significant and positioned to grow through alliances with the international networks of Eurogiro and Western Union.

The Role of Post Offices in Savings

The role of postal networks in Africa has been traditionally lauded as one the most effective ways to provide the poor and rural communities access to formal financial services. The benefit proposed for the poor and the rural communities has been mainly the safekeeping of the money and the earning of interest. For many of those who are unable to assess the strength and sustainability of the financial institution to pay back their deposits or who would not be accepted by banks, the post office could play a significant role to capture deposits.

Data from various sources, including the UPU, World Savings Banks Institute, World Bank, IMF, and national postal operators, indicate that there were as many as 9.5 million postal savings accounts in the African region, 5 percent of the overall adult population. The data indicate that transaction volumes are low (less than 1 transaction per account), that most savings accounts are dormant or frozen, and the average deposit is around USD 850, and that rural outreach is insignificant.

In most cases, the postal saving passbook is still a “stand-alone” product. In order to play a stronger role in savings and reach out to more of the populations, the postal financial service entities need to overhaul their product offerings and develop more attractive products, as packages with payments access or access to credit.

The Role of Post Offices in Credit

Traditionally, African post offices have not been able to provide credit to companies and individuals. Credit has been introduced on a limited scale, e.g., in Benin as student loans and as overdraft for holders of postal giro accounts. Also postal banks that have been incorporated (Uganda, Malawi, Botswana, Zimbabwe) are licensed to provide credit, but this function is only recently developing. In some cases, there appears a movement to provide microcredit through banks’ own branches). A role for post offices in credit is difficult to see without major reform efforts that partner strong and intrinsically sound institutions to offer credit services through the post offices.

The Need to Reform the Postal Networks and Postal Financial Service Entities

In many African countries, the operations of the state post and telecommunications entities were, until the 1990s, a public duty rather than a business, which was an impediment to good service and efficient, profitable operation. In the 1990s (and in some cases only recently), the governments separated post and telecommunications, and privatized the telecommunications. In this process, the posts were left in poor financial condition, without strategies or visions for self-sustainable survival. In some cases, posts were transformed into parastatal entities without access to government budget, or into companies without sufficient capitalization to operate profitably.

The regulatory role of the government towards the postal sector is in many cases not yet fully developed and does not appear high on the government agendas. The central banks and/or ministries of finance typically do not regard postal financial services as a bank and sometimes not even a non-bank financial institution, but see them as fiscal operations, and therefore exclude it from financial sector development programs agreed between the ministries of finance, the IMF, and World Bank.

In the recent past in Africa, no distinction was made of the roles of the post as the mail provider, as owner of the post office network, or as operator of the postal financial services. There were no separate accounting practices for mail services, post office network usage, and for financial services. The management for all services is often combined in postal management. Governance frameworks and audit practices often do not address these issues. The suggestion that a POSB could be a profit center for the postal services seems not to find substance.

The postal business as a whole in most of the Africa countries is unprofitable and there is no access to other finance sources (budget intervention, subsidy, loans), so cross-subsidizing mail and financial services occurs, as well as usurping postal depositor funds to cover operational deficit. As a result of inadequate governance and audit, these practices are discovered too late for remedial management and as a result costly rehabilitation programs are required (see Cameroon, Togo, Niger). The management of the posts tends to focus primarily on the core mail operation, despite the low volumes and the inflexibility of tariffs, which alone is not sufficient for long-term financial sustainability.

The negative downward spiral of mail services also hampers development of the financial services and the postal networks. With the same management in place, that allowed cross-subsidizing and using postal financial services to bolster the loss-making postal mail services, it implies that no or few investments have been made in postal financial services and the post offices to upgrade them to meet customer needs.

The notion of separating the accounts, management, and governance of the mail and financial services is slowly gaining ground with more and more governments and postal operators, and with this is the understanding that postal networks critically depend on the effective development of financial services. The idea of transforming the post office network into a multi-purpose service network for information and communications technology and financial services, where the mail provider is “just” a part, is not yet warmly embraced: this remains an obstacle to making post offices a viable network that can provide access to financial and ICT services.

The Relation between the Post and Postal Financial Service Entities

The relation between the post and postal financial service entities is often seen as an internal relationship, not as a joint partnership with a mutually-beneficial business strategy, even when there is a service level agreement with the postal bank as a separate entity. The nature and content of present relations seem determined more by historical and political factors rather than commercial and economical reality. It often is not adequately managed, and notions such as internal transfer pricing, profit centers, etc., are still unfamiliar. Efforts to exploit commercial opportunities and/or increase service and corporate profile in the market are fragmented and often lack an overall vision or an open-minded vision, e.g. to seek alliances with external entities.

In several cases (see Kenya, Uganda, Tanzania, Togo), postal banking entities seek ways to get away from the postal squeeze, either by introducing its own staff in post offices or opening its own branches. On the other hand, in response, the posts set up their own financial services (money transfers).

The position of postal financial services in the financial sector is difficult to assess because in many African countries they are not considered part of the financial sector. Data to make adequate comparisons are absent or only tell the half truth. In several countries, the postal financial services are not perceived as true competitors, while in other countries (Kenya, Tanzania), the Postbank is taken more seriously because of its natural strengths (large network, low threshold, account data base). Corporate clients and even government institutions do not recognize the postal financial services entities; these entities are, given the often-mandatory investments in long-term government titles, still vulnerable and exposed to the volatility of interest rates.

5—Conclusion

A disadvantage of a cash-based society is that a national mass market cannot be fully developed, as transactions are costly and difficult if they involve handling cash. A further disadvantage of the cash-based society is that they do not attract deposits or balances in-transit (floats), which is an important source of finance in most countries. It is imperative that the payments and savings net be cast wide and far to bring the majority of Africans into the financial sector. This is a substantial opportunity for postal financial services, but it can only be done through the vigorous transformation of the historical postal financial services, and reposition it inside the formal financial sector. Repositioned postal financial service entities in Africa should feature:

- upgrades to the entire post office network, adding modern technology to improve information, communication, and control systems;
- provision, first of all, of affordable payment services, such as current accounts; debit cards that are held centrally; and deposits, withdrawals, and transfers made at local post offices but recorded centrally;
- cheap and simple facilities for deposits, withdrawals and transfers to other accounts, other customers, and other places; and
- development of a customer database to understand and analyze client.

The primary motive for establishing a postal bank should be that existing commercial banks do not easily provide cheap money transfer arrangements for the majority of the population. Based in post offices, transfer services would be more easily accessible throughout the country than through existing commercial banks. Since the post office operates on nation-wide scale, the banks could have a unifying role and exercise pressure to make the payment system more efficient and simplified. In line with this, postal banks should be exclusively responsible for the financial services.

Repositioning postal banks requires capacity building and institutional strength. Given the required economies of scale that need to be achieved, postal banks should seriously consider partnering with other financial institutions within the country and beyond existing borders.