The Role of Postal Networks in Expanding Access to Financial Services

Worldwide Landscape of Postal Financial Services

Middle East and North Africa Region

The World Bank Group
Global Information and Communication Technology

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Postal Policy

Author’s Note

This section discusses the landscape of postal networks in the Middle East and North Africa region (MENA) and their current role in providing access to financial services. The landscape is intended to serve as a basis to assess their potential to expand access to financial services.

For this purpose, eight countries in the region were pre-selected for further analysis. The main assumption was that these countries have postal networks actively involved in providing financial services. The countries have diverse backgrounds, market contexts, institutional constellations, and development of their respective postal networks.

For some aspects and some countries (e.g., Libya, Syria), data was not available, or only to a limited extent, by the desk research finished in 2004. In particular, this concerns data for the role of the postal networks in the 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.

Glossary

CNE	Caisse nationale d’epargne
ENPO	Egyptian National Postal Organization
ICT	information and communication technology
MIS	management information system
MNA	Middle East and North Africa region
UPU	Universal Postal Union
USD	United States dollar

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Summary

The services of postal networks in the MNA region are relatively well-advanced; their payment services include electronic and web-based applications to transfer money on-line and in real time. Nearly 8 million Middle Eastern and North African people use a giro account. Postal giro services provide money transfer channels for government agencies (municipalities, tax offices, public utilities). Postal networks also process international remittances, and have agreements with Eurogiro and Western Union, or have implemented their own electronic transfer channels. The limited data available suggest a significant role of the postal network in remittances, especially in the Maghreb region.

All of the postal financial services in the countries reviewed are state-owned. In most cases, they are administered by a separate state-owned entity (a post office savings bank or a national savings bank), utilize the postal network under an agreement with the post office, and some of their functions are operated by the post office. In Iran, there is an incorporated and licensed postal bank; in Morocco, there are partnerships with other financial services. The respective Central Banks are aware of the postal financial services, but do not actively supervise and regulated them. Postal networks and the postal financial institutions in general are not considered a priority in the large-scale programs to upgrade cashless payments systems or to strengthen the financial sector in Middle East and North Africa.

Financial services are highly relevant to the sustainability of the postal networks in the MNA region and to postal operators as a whole. In several countries, financial services are the largest revenue source for the postal operator. Postal operators are increasingly interested in expanding the range of financial services (to include credit), so reforming postal financial service entities and partnering with licensed credit institutions are priorities for them.

1—Introduction

Postal networks in the Middle East and North Africa region (MNA) have nearly **20,000 post offices**. Postal networks in MNA are large compared to other networks in the region, including an estimated 12,000 bank branches and sub-branches. In many of these countries, post offices have provided payments and savings services for more than 100 years. Research indicates that at the end of 2002 more than 25 million Middle Eastern and North African inhabitants had postal savings or giro accounts, with a total balance in excess of USD 50 billion. This represents an estimated penetration of more than 25 percent with the adult population. Actual market share in deposits in several countries is above 10 percent. Although the product range is limited and fragmented, rural citizens, public servants, and pensioners use the network extensively because there are no banking networks in rural areas or they have little confidence in formal financial institutions.

Key Data on Postal Networks and Access to Financial Services	
Population	262 million
GNI	USD 357 billion
Territory (in square kilometer 000s)	14,608
Post Offices	11,365
Staff	108,000
Mail items	1.6 billion
Postal financial transactions volume	94.4 million
Postal financial transactions (value)	USD 41 billion
Postal giro and savings accounts	25.5 million
Postal financial assets	USD 5.7 billion

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

The average density of the postal networks in MNA is 1 post office per 13,000 inhabitants, and **the postal networks play a vital role in communications, payments, and savings mobilization.** Per capita mail volumes are on average 6.1 items per year in the MNA region. Revenues from postal mail services for the state-owned postal operator are likely to fall due to increased global competition in international mail, express, parcels, and logistics, and from substitution by e-mail, fax, and other electronic technologies, despite. In view of changes in communications media and technologies, more and more postal operators are seeking to upgrade their postal networks and to equip them with advanced, networked technologies. They need to rely on a diverse range of revenues that including financial services, communication services, and other retail services (such as printing services).

Lebanon started to privatize its postal operators under a long-term concession agreement. Although the quality of the postal mail service was upgraded by the concessionaire (a Canadian consortium), it was insufficient to sustain the company, and it was sold to a local financial consortium which added a range of basic financial services and other retail products to make the postal operation economically viable. **Jordan, Saudi Arabia, and several Gulf States are considering privatizing their postal operators** and preparatory steps have been undertaken. **In North Africa, the focus is on establishing partnerships with the private sector for specific products or services, not privatizing postal services**.

The Role of Middle Eastern and North African Postal Networks in Providing Access to Financial Services	
Payments	• More than 7.5 million Middle Eastern and North African inhabitants, including pensioners, rural citizens, military, and public servants, use account-based services for salary payments. Semi-public agencies, such as municipalities, use postal networks for domestic money transfers. • The postal network payment system is cash based, valuable as a significant source for money transfers, bill collection, etc., but has various degrees of success. It could be greater if new technology is applied. Several North African countries show significant volumes. • Postal networks do not clearly participate as an institution or infrastructure in any of the programs to develop payments systems. • There is risk of creating dual payment circuits or systems that can lead to higher costs and inefficiencies. ***Access to a modern cashless payment system could be available broadly across North Africa and Iran. Further expansion in rural areas is underway. Linkage with the national payment systems should be issue of concern.***
International remittances	• Product range includes Eurogiro, Western Union, and UPU options. Actual role of postal networks in remittances differs widely from country, from very insignificant to substantial (Morocco, Algeria). Most of the traditional solutions have been de facto abandoned. • In view of global migration, big opportunities are being missed. ***Access to international remittance services at post offices exists and in some cases represents a significant market position. It is not positioned in a “remittances for development” concept.***
Savings	• There is good penetration: in some countries, 10%–30% of adults have accounts with the post offices. In terms of market share (value), postal savings represent a significant amount (>10%). • Actual usage (deposit transactions) is quite high, suggesting relatively low numbers of dormant accounts. • Depositor confidence is still dependent on state guarantees. Tax exemptions could be seen as creating unfair competition. • Most often there is a single product offering, no range of deposit products and no link to other services, such as remittances, payments, credit. Often there is institutional separation between savings and payments. • Integration of savings and payments operations and addition of a linked database could be the basis for expanding into more products and a full-fledged banking institution. ***Access to deposits and savings is widespread, with more than 20 million clients who actual use the services. There is a potentially strong basis to expand to other client target groups and to other products.***
Insurance and pensions	***Access to insurance and pension products at post offices is non-existent***, but there are some promising experiments. In other countries, postal savings books still function as de facto retirement schemes. Opportunities to expand are not captured.
Credit	***Credit is virtually non-existent through post offices.*** In Morocco and Iran, programs are under preparation; in Tunisia and Algeria, it is seen as a potential

	development.
Economic relevance for the postal network	***Delivery of financial services through the postal networks is vitally important for the sustainability of the postal network and the postal operator***. In Algeria, Egypt, Morocco, Tunisia, and Syria, postal networks thrive on the revenues from financial services. The net revenues are to some extent re-invested in upgrading services and technology for the financial services. In some other cases, the revenues cover operational losses of the mail operations.
Overall	The role of Middle Eastern and North African postal networks in providing financial services varies from marginal to significant in deposit taking and transfers. Several postal operators have implemented reforms and improvements, in number of products offered, upgraded technology, and quality of services. While more advanced than in some other parts of the world, there are issues and weaknesses that need to be addressed in the next few years to ensure sound and sustainable financial services can be provided. Specifically these are the regulatory environment, interfaces with banks and payments systems, governance, management, market and business development, and management information systems (MIS).

Several governments consider **the post offices as point of access into the "e-economy."** Given the relative success of the postal networks with financial services and particularly payment services, it will be important to ensure that the postal payments systems become part of the national payments system, and be considered a vital component of the payments infrastructure. Failure to do so could result in the development of dual payment circuits, with different technical standards, processes, and risks, which lower efficiency and make the payments system less transparent.

North African postal operators in particular are necessary to provide access to financial services. Studies are on-going to transform the postal financial services operations into postal banks. Since the postal retail networks are largely if not entirely dependent on the transactions and revenues from financial services, a key issue in these studies is the nature and structure of the relationship between the postal banking institution and the postal retail network.

In the Middle East, postal financial services are less developed, perhaps with the exception of Yemen which has a postal and savings corporation that provides basic financial services to more than a half million inhabitants. In other countries, the postal savings function is non-existent or insignificant. In United Arab Emirates and Lebanon, partnerships with private-sector banks have been established, which could inspire neighboring countries to follow this example.

Iran is the only country in the region with a post bank that is an incorporated entity, a subsidiary of the post, licensed by the Central Bank. The Postbank was established in 1996 to reach out through the postal to rural areas. Unfortunately, the Postbank has not made much progress in achieving this mission.

2—The Landscape of Middle East and North Africa Postal Networks

Post offices in the Middle East and North African region have existed for several centuries, established primarily by former British and French rulers. Originally, post offices were established to provide mail services, and post offices were seen as an "anchor" in the mail-processing infrastructure. In many of the countries in the MNA region, this has remained the case. In few countries, separate (automated) mail sorting and processing centers have been established, mainly to deal with international mail processing (e.g. Cairo, Dubai).

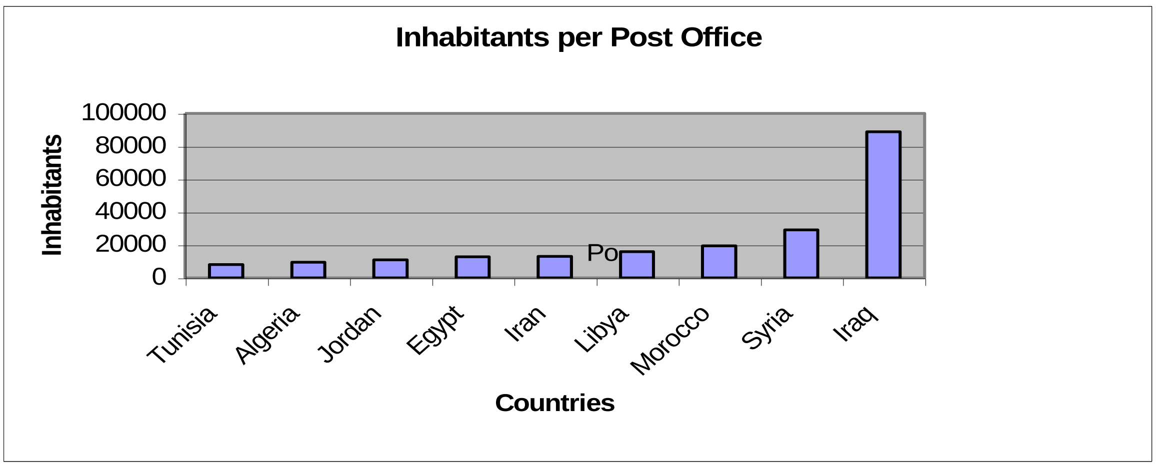
The postal network in the Middle East and North African region is uniquely large compared to other chains or banking networks. In fact, it is estimated that **there are nearly twice as many post offices as**

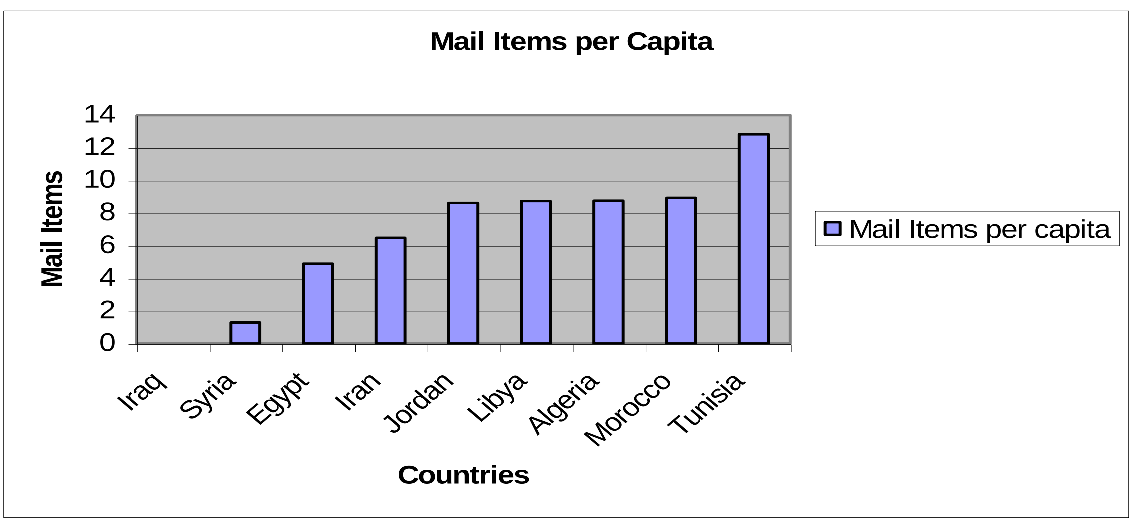
bank branches. Post offices in the Middle East and North African region tend to have a front office to collect mail and parcels, sell stamps, and transact financial services, as well as an extensive back office for "last mile" mail sorting.

Did the Mail Carrier Ever Ring a Bell?

In 2002 there were about 18,470 post offices in the countries selected for this study. Algeria, Egypt, and Iran account for nearly 14,000 offices, and the other five countries for about 4,500 offices. Several countries make use of postal agents and sub-post offices (e.g., Egypt and Iran) and it is unclear to what extent they are included in the above figures. **In many cases, these agents are not private entrepreneurs running the post office like a shop, but municipalities** that provide office space and staff to operate the postal agency at low or zero cost to the postal operator. This ensures the availability of postal services in the respective townships, but could also be a hidden subsidy.

The density of the postal networks, expressed as the ratio of post offices to population and to territory coverage in MNA is fairly dense compared to sub-Saharan Africa. There are differences per country as the charts below show.

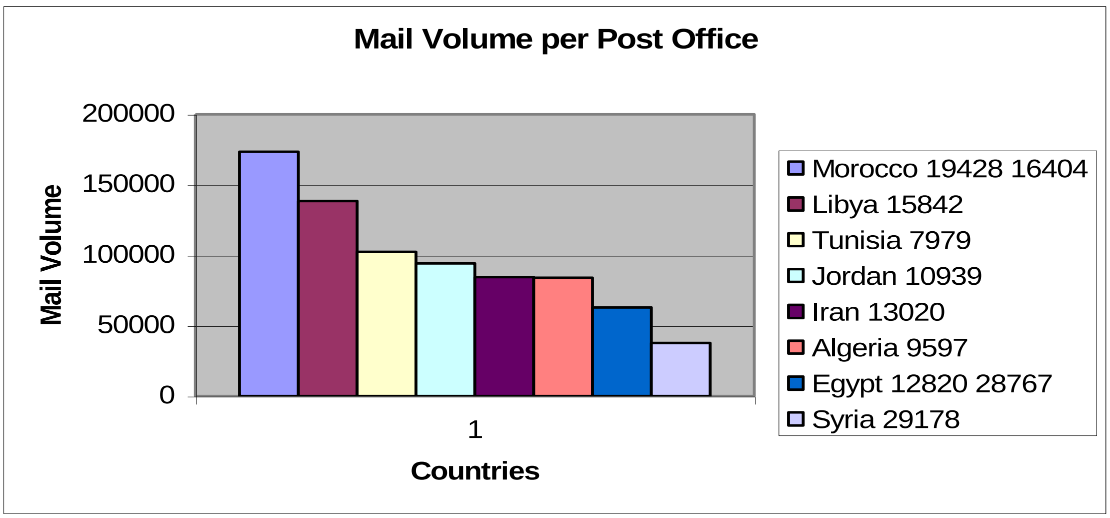


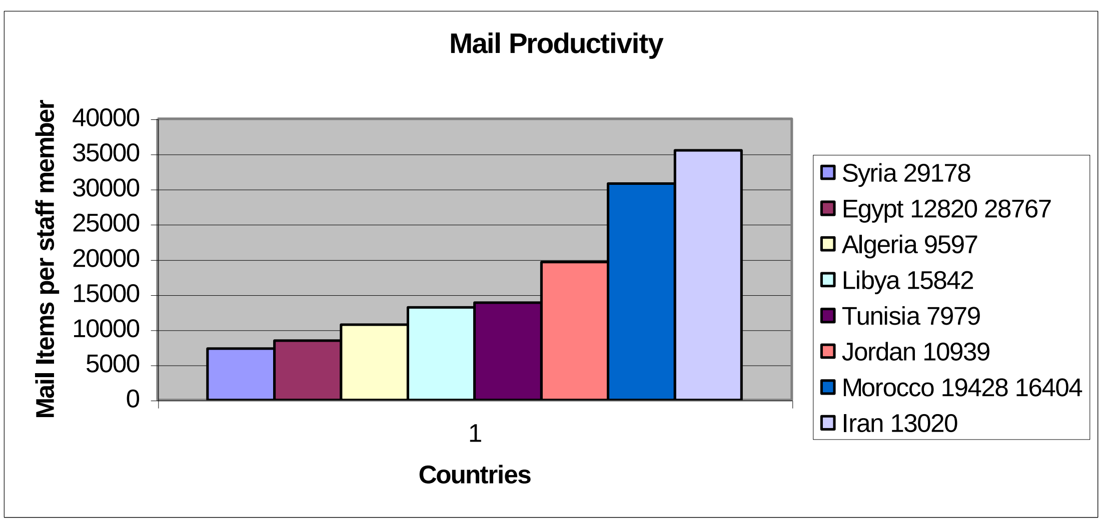


In Egypt, Tunisia, Jordan, and Morocco, the average distance to a post office is less than 15 kilometers. In Syria and Algeria, the average is 25 kilometers, but in Iraq, Iran, and Libya, the distance is more than 40 kilometers.

Households are supposed to receive mail one or more per times per month, but often mail is not delivered and must be picked up at the post office. The volume of mail items that post offices process per day on average ranges in most cases between 250 and 500. Syria has lower average volumes (150 per day), while Morocco's are slightly higher (700 items per day).

The productivity per postal staff member also varies, from an average of 30 pieces handled per day in Egypt and Syria, to Algeria, Jordan, Libya, and Tunisia where it is in the range 40–70 per day, and Morocco and Iran in the range of 20–140. These volumes are relatively low and may point at overstaffing or unutilized capacity. These figures, however, do not reflect the financial services workload that postal staff handles.





Although the **postal mail services are supposed to be the core business for post offices, in much of the Middle East and North Africa they have not generated sufficient revenues and business volumes to**

achieve financial self-sustainability. Governments in MNA have tried to increase utilization of the postal infrastructure by adding other activities:

- Other communication services (telephone, telegraph, telex, fax, internet)
- Government and public services (government announcements, public information, registrar functions, e-government)
- Financial services (payments, savings)

This diversification is presumed to have contributed to the post office being a publicly accessible communication center, and improving economic viability, but it has also been the basis for cross subsidization. **Using post offices as communication and information centers revived with the advent of the Internet.** Algeria, Morocco, Egypt, and Jordan are reportedly looking into information and communication policies that will upgrade the postal network to offer e-government services and change post offices into tele-centers or Internet cafés. Apart from e-government, e-learning is also an application under consideration. Since only a small percent of the inhabitants of MNA have access to Internet, the post office infrastructure could help to bridge the gaps in the digital divide.

The basic figures shown above indicate that for several countries the postal service cannot be operated profitably with postal mail services alone. Although UPU research indicates that postal mail volume could rise in the medium term in Middle East and North Africa, it is somewhat unlikely that they will reach the levels seen in Europe or North America. The question arises, not whether to keep supporting the postal infrastructure to provide mail services, but how soon to make postal counters the front offices for the financial sector.

Postal Networks and Middle Eastern and North African Postal Reform

Postal operators in the Middle East and North Africa region have witnessed dramatic changes in their business which once was operated as a monopoly. Particularly with courier, express, and parcel services, competition from international operators and local private operators is flourishing. International operators have found it relatively easy to gain entry and market share by serving the business sector in the large urban centers. In most cases, national postal operators have been left with insignificant market shares in these liberalized high-margin business segments, while the frameworks and enforcement to regulate competition are weak. **The paradox seen in many MNA countries is the existence of a broadly-defined postal monopoly and a de facto deregulated sector. Often the functions of owner, regulator, and operator are not transparent or separate.**

New technologies (fax, e-mail, SMS, mobile communications) are substituting for traditional mail items. The international and business-to-business segments are strongly represented, and the impact of technology substitution might be more significant with postal operators that primarily have business-to-client and client-to-business flows.

The mail flow depends mainly on corporate and public agencies to generate mail. In many MNA countries, more than 50 percent is government mail volume and another large percent generated by 100 to 200 large corporate clients. The needs of the private sector have become more sophisticated, and many want one-stop service, including value-added services. Several MNA postal operators (e.g., Morocco, Tunisia, United Arab Emirates), have responded by improving and expanding their mail services. Middle Eastern and North African postal operators that do not change to meet clients' needs are likely to be left servicing the mail of public agencies only.

Liberalizing the postal market implies that governments may be less able and less willing to financially support the national postal operator in the face of private-sector competitors. It also implies the need to improve cost accounting to distinguish between costs and revenues of the reserved areas and the liberalized areas. Postal operators need to have MIS and transparent cost accounting in place.

In response to the changes in the core postal markets in MNA, the option of diversifying with other services that generate revenues while utilizing the same postal staff and infrastructure has emerged as a challenging issue. **Diversification into financial services has been an historic feature of North African countries, and has now become more significant than the original core business**. Introducing technologically more advanced financial services as well as more sophisticated products (e.g., insurance) can optimize cost-efficiency and higher margins.

It also poses a risk. If the core mail business of the postal operator is sound and healthy, the temptation to subsidize it with financial service revenues remains alive. The risk is a distorted, competitive environment in both the postal and financial sector.

Key issues in Middle Eastern and North African postal reform are responding to the challenge of building a transparent and competitive postal sector, where a healthy and viable public postal service can operate its core business self-sustainably within the liberalized and increasingly globalized market.

3—Middle East and North Africa Country Profiles and Overviews

Country-by-Country Profiles

Algeria	
Institutional framework	Algerian Post has been separated from the Ministry of Posts and Information and Communication Technology. The public postal operator is a state enterprise, and is allowed to operate its postal payments and giro operations by statute. The post is also the agent of the Caisse nationale d'epargne (CNE).
Postal network	Algerian Post has a network of 3,300 post offices; 1,600 of them provide a full range of financial services, and 1,400 are connected on-line to the postal giro payments processing center. Algerian Post also operates an ATM network (with voice recognition technology), and a call center. The network is larger than any bank branch network. The postal network provides a range of technologically advanced financial services, ranging from money transfer services to savings and deposits.
Postal performance	The postal service benefits from a strong and solid reputation and a high level of customer confidence. The banking sector has yet to recover from recent scandals. (Khalifa Bank lost USD 1.5 billion in 2003).
Market position	Algerian Post has more than 6 million giro account holders and 3 million savers. It is the largest consumer bank operation in Algeria (even though it is not a bank). The growth rate is considerable: in 2002 it gained 500,000 new accounts. (Many were students who were obliged to have a postal account.) The post has a market penetration at 40% of adults. Total consolidated balances of payments and savings exceed USD 4.6 billion. Postal money orders accounted for more than 34 million transactions in 2002; the cash turnover from to money orders was nearly USD$ 30 billion (or 50% of GDP) at post offices. Algerian Post is also a channel for remittances from abroad, with nearly 1 million transactions and an inflow of USD 200 million. The other remittance alternative in Algeria is Western Union.
Other comments	The Ministry of Posts and Information/Communication Technology benefits from donor programs to further upgrade the ICT infrastructure and its accessibility in Algeria. The postal network plays a key role in the implementation. In 2003 a study was commissioned to assist the Ministry in evaluating the postal financial services and reform options. One particular issue is to develop a more effective saving function, e.g., by consolidating giro and savings in a postal bank. Algerian Post envisages launching other programs, such as debit cards.

Egypt	
Institutional framework	The Egyptian National Postal Organization (ENPO) is the public postal operator. Two laws govern ENPO, giving it the status of an economic authority and providing it with institutional features that resemble to a public sector corporation. The government sets the postal tariffs. The owner of ENPO and regulator of the Postal sector is the Ministry for Communications and Information Technology. By law, ENPO provides domestic mail services, international and local express mail (private couriers are now allowed to operate express services), as well as postal check and giro services, postal money orders, some other payment services, and postal savings. Earlier the post had been charged with operating a postal savings fund under an agency agreement with the National Investment Bank (NIB). NIB is not a bank but a department of the Ministry of Finance in charge of investing public funds (including civil servants' pension and social security funds). Neither ENPO nor the post office savings bank is a licensed financial institution. The Central Bank of Egypt observes postal savings developments from a macro-economic point of view only.
Postal network	The postal network of Egypt has nearly 5,500 offices, of which 3,016 are property of the ENPO. The 2,500 other post offices* are operated via agency agreement. Some are commercial agents, but many are local administrations that operate the agency as a community service and provide office space and staff. The postal network's particular strength is its presence in rural and low income areas. * These post offices are often not included in counts of the postal network. The Egyptian Banking Company (the ATM switch network with 24 connected banks) contributed data to this study without mentioning the 2,500 agencies. If these agencies are included, there are eight to nine times post offices than bank branches in rural and remote areas.
Postal performance	ENPO faces competition in the express mail and parcel market from 7 privately-owned operators (6 are foreign-owned) and 40–50 illegal operators. Estimates indicate that the private sector has a 10% market share, mainly due to its coverage in Cairo. ENPO's network is competitive in the area of savings. The total number of depositors with ENPO equals that of all state and commercial banks. Together, they hold approximately 9 million savings accounts, but a large number of Egyptians do not save with formal financial institutions. Interest in traditional savings products is declining, and the generation younger than 45 is not attracted by pass books and certificates that require queuing, stamps, and time consuming bureaucracy. They are familiar with what the Internet can offer: convenience and on-line, real-time options. ENPO has begun installing ATMs and EFT POS terminals in 50 post offices in greater Cairo and plans to offer debit cards to disburse pension and welfare payments. ENPO's traditional giro and check service functions as an intra-government payment system, mainly for municipalities, ministries, etc. It is not yet equipped for high volumes, but is relatively solid and timely. This is not the case with the banks' check-based payment system. There are 4 check clearing houses and only the one in Cairo is computerized, so check payments take a long time. The banks have 1 million individual checking accounts, plus credit card facilities. There about 300 ATMs in Egypt mainly serving higher income groups and tourists. Banks aim to attract other client groups, but with easy access to funding, high margins, cost inefficiencies, and a focus on branch expansion, progress is slow. ENPO is also exploring new applications for remittances, including Western Union and Eurogiro. Very few banks offer remittance services that are attractive to senders or recipients. The estimated USD 4 billion flow (2002 figures) is primarily handled via informal channels. With no access to life insurance and pension products, postal savings are used as a rudimentary old-age retirement plan. At retirement, civil servants receive a one-time payment equal to 36 years of salary. This can be deposited with the postal savings that earns interest monthly, without consuming the principal sum. The government is still considering restructuring the postal savings into a postal bank.

	The postal service incurs large losses, which are currently subsidized by the interest margin earned on the postal savings.
Market position	ENPO has a market penetration of nearly 50% of small savers, 20% of the adult population. ENPO mainly deals with small deposits that represent 3% of total deposits in Egypt. Short-term deposits are utilized by government for long-term lending to infrastructure, hospitals, schools etc. ENPO is one of the few formal channels that handle bulk payment flows. ENPO reported more than 22 million payment transactions in 2002, compared to 8 million checks processed by the banks and an unknown number of low value cash payments for utility bills.
Other comments	ENPO has not been included in current Central Bank initiatives to develop a national payment system development. Financial sector development is focused on reinforcing and restructuring state banks.
Iran	
Institutional framework	In Iran, the public postal operator has been incorporated as the Post Company of Iran, 100% owned by the government. The Ministry of Posts-Telecom-Telegraph (PTT) regulates the sector and owns the Post Company. Postal financial services were separated from the Post Company and incorporated in Postbank of Iran. Postbank is licensed and supervised by the Central Bank of Iran, and has been commissioned to reach out throughout the country. Although separated, Postbank is managerially affiliated to the Ministry of PTT.
Postal network	Iran Post Company has a network of reportedly more than 5,200 post offices. The network is important, particularly outside Teheran, where there is 1 bank branch to 5 post offices. The Postbank of Iran is charged with providing broad access to cashless payment services, mobilizing small savings, and the providing microcredit. The post offices have different levels of computerization. A set of Postbank services is provided in the 900 largest post offices that have a reasonably adequate IT infrastructure (on-line computer network), but services differ widely from post office to post office. A general agreement for using the postal network is not in place, so Postbank works through its own 26 branches and employs 2,000 staff.
Postal performance	Postbank had more than 200,000 savings accounts on its books at the end of 2003, with a balance of USD 18 million. Considering its branch network, this is good, but is fairly insignificant compared to the large postal network.
Market position	Postbank of Iran is a young bank, so its market position is still marginal.
Other comments	Postbank aims to launch new technologies that support a nationwide roll-out of financial services. Chip cards have been tested, and a contract has been concluded to implement a core banking system (Tenemos). However, because these initiatives are technologically driven, the lack of a commercial strategy setting out market and customer requirements has slowed down implementation and thus the return on the capital expenditure. Despite its ambitious mission, Postbank and its own branch network risks remaining a small entity whose management capacity is absorbed by its branch network and technology issues.
Iraq	
Institutional framework	The war has deeply affected the functioning of the Iraqi Post. Data previously reported to the UPU may have significantly changed. Teams from the US Postal Services and the United Arab Emirates have been working on a restoration/ rehabilitation plan, which

	focuses on mail and express functions. When the Iraqi currency was converted, the postal network provided the basic infrastructure for cash supply, payment collection, and savings mobilization.
Postal network	There are 273 post offices in Iraq, which is low in absolute terms, but it is not known whether an additional agency network is available. The banking sector must be rebuilt from scratch and the postal network may be a useful infrastructure to provide savings, payments, and other financial services.
Postal performance	Postal savings used to serve nearly 300,000 Iraqis, a 1.25% of the total population.
Jordan	
Institutional framework	Postal reform in Jordan led to the establishment of a regulatory authority and a process to incorporate Jordan Post as a separate entity. Private sector participation is being considered. The Jordan Postal Savings Fund (JPSF) was established as a statutory fund without authorized capital to take deposits or use them for lending.
Postal network	The postal network in Jordan comprises 475 post offices and presumably 500 postal agencies, providing limited services. There are approximately 400 bank branches, and nearly half is located in Amman. The coverage by the postal network in rural areas is good.
Postal performance	The postal network used to have a significant function in savings mobilization and handling small-value payments for the population. It also was involved in consumer and corporate lending. The role of the JPSF declined as a result of not responding to increased competition and consumer sophistication and a high non-performing loan ratio resulting from weak asset management. There were 36,000 savings accounts at the end of 2002 with a balance of less than USD 4 million.
Market position	The market position of JPSF has declined to a marginal position with less than 1% market penetration and share.
Other comments	At the request of the governor of the Central Bank of Jordan, a World Bank team recommended replacing the JPSF with a partnership with a private-sector bank, and identified private Jordanian commercial banks interested in working through the postal network and ready to invest. These recommendations were not implemented because priority was given to reforming the postal sector and the public postal operator, specifically mail and express operations. It has overlooked the relevance of financial services for the commercialization and sustainability of the postal network.
Libya	No data available
Morocco	
Institutional framework	Barid-al-Maghrib (BAM) is the public postal operator in Morocco, and is a 100% state-owned company that operates under an extensive postal monopoly. In addition, BAM provides financial services, with a division for postal giro accounts. It operates postal savings under an agency agreement with the Treasury (Caisse de depots et de gestion) and cash-based postal money orders on its own, and through agreements with Western Union and Eurogiro. It is allowed to enter into partnership agreements, which have been effected for additional services, such as insurance and mutual funds. BAM is not licensed by the Central Bank of Morocco.

Postal network	The postal network comprises 1,595 offices, which are fairly evenly spread over the country including rural communities. There are 1,889 bank sub-branches in Morocco. In the 4 main cities (Casablanca, Fez, Rabat, and Tangier), there are 862 bank sub-branches. Another 300 sub-branches are concentrated in the medium-size cities. BAM has about 1,100 post offices outside of these main and medium-size cities and has a better rural outreach than the banking sector.
Postal performance	While the postal services of BAM have been improved and expanded in the past 10 years, financial service delivery has also been improved. Since the early 1990s, several phases of new technology have improved quality of financial services and cost efficiency. These improvements have helped it maintain a competitive position in traditional product lines (payments and savings) and have also contributed to BAM's attractiveness as partner for financial institutions, particularly for international remittances, insurance, and mutual funds. The financial service operations account for more than 75% of the activity at postal counters and generated 30%–40% of total revenues.
Market position	With 600,000 postal giro accounts and 1.7 million postal savings accounts, it is estimated that BAM reaches out to about 10% of the adult population. Most are not rural or poor, but are public servants, teachers, hospital workers, soldiers, and pensioners. Total balances collected stood at nearly USD 600 million at the end of 2002, a 17% market share in demand deposits held by households (but less than 5% of the overall household deposit market). The gross turnover in 2002 at post offices for processing small-value payments and collecting savings amounted to more than US$ 8 billion, suggesting that BAM plays a significant role. In 2003 Morocco received more than USD 4 billion in remittances from migrant workers. An estimated 25% was channeled via the postal network, through postal money orders, and Eurogiro and Western Union transfers.
Other comments	BAM has made considerable capital expenditure (estimated at around USD 30 million) to upgrade its network and operations. It is considering its options to restructure its financial services by establishing a postal bank, possibly with a partner financial institution.
Syria	No data available
Tunisia	
Institutional framework	The postal giro service (CCP) was established by decree as a division of the post. It is a "closed circuit" for bulk small-value payments and does not participate in the banks' clearing house. In addition the post operates a range of cash-based transfer operations. Postal savings are provided by the Tunisian National Savings Bank (La Caisse d' epargne nationale tunisienne).
Postal network	The postal network comprises 1212 post offices, and it is reported that a large number have been equipped with modern (payments/banking technology, including 80 ATMs. Access is also provided through the Internet. The size of the network is comparable to the entire bank branch network of the 23 banks in Tunisia. The post offices have more branches in rural areas than the banks.
Postal performance	La Poste Tunisienne revenues depend largely on financial services revenues, (bout 51%. (La Poste recorded an operational deficit in 2002.) CCP holds more than 480,000 accounts, including 50,000 accounts with "Dinarpost" cards (Visa debit cards). CCP

	accounts show strong growth. A modernization program with more effective marketing, simplification, a more efficient business process, and computerized settlement has enhanced the quality and attractiveness for its clients. Not only individuals but companies and public agencies keep accounts with CCP. The volume of transactions in 2002 was 4.5 million (as reported to UPU), about 10 transactions per account. There are more than 2 million postal savings accounts. In 2002 La Poste processed 1.4 million postal money orders (cash-based person-to-person payments). In addition La Poste distributes pension payments and social security benefits (6.2 million transactions in 2002), and collects cash to pay utility bills (water, electricity, telephone). Since 2000 La Poste has issued e-money and e-money instruments. These include an electronic wallet "e-dinarpost" and the "e-dinar" as money. These instruments and the money can be used to make electronic payments at point-of-sale or through the Internet, e.g., for public transport subscriptions, e-learning, and e-commerce. It processed 0.6 million international postal money orders, valued in excess of USD 210 million, and 3,000 postal giro transfers with a value of USD 6 million. To handle these volumes, La Poste is a member of Eurogiro, and has substituted the telegraph money order with real-time electronic technology. In addition, the postal service is the agent of Western Union. On a bilateral basis, electronic real-time remittances have been implemented between Yemen, Cote d'Ivoire, and Mauritania.
Market position	The financial services of La Poste position it as a leading provider of retail financial services. Its role in small-value payments is significant. Market penetration is estimated at 10% of the adult population for payments accounts, with a market share estimated at 50%. For household deposits, the postal network provides access to 2 million savers; an estimated 50% penetration of the adult population.
Other comments	To improve return on assets or economic utilization of the postal network, La Poste aims to broaden the range of financial services. Steps underway include making arrangements with other large companies (e.g., public transport), and introducing CCP Net (to provide on-line access to payment services) and EBPP ("Factura net"). In the short to medium term, La Post aims to respond better to customer needs and will launch new financial services to respond to increasing competition. It will sell life insurance on behalf of several insurance companies; it will offer credit through a partnership with a banking institution; and provide differentiated savings products, including savings to qualify for housing loans, term deposits, and retirement savings. On the basis of its strong payments operation, recently upgraded with modern technology, La Poste has achieved a better foundation for economic sustainability. It also appears to be pursuing a strategy that positions the post office network as an outlet for standard financial services, with cross-selling and links to other products (direct mail, e-commerce fulfillment, and e-learning). It remains unclear to what extent La Poste and its payment system, which includes issuing e-money, participate in the development of a national payments system.

Cross-Country Overviews

Product Diversification

Country	Cash Pay-ments	Postal Giro Accts	ATM Cards	Intl Remit-tances	Postal Savings	Life Insurance/ Pensions	General Insur-ance	Credit	Mutual Funds
Algeria	4	4	4	4	4				
Egypt	4	4	4	4	4				
Iran	4	4	4	4	4				
Iraq	4				4				
Jordan	4			4	4				
Libya	4	4							
Morocco	4	4	4	4	4	4		4	4
Syria	4	4		4	4				
Tunisia	4	4	4	4	4				

The **product range in MNA has remained relatively narrow, strongly focused on postal savings, and dominated by payments services**. The Maghreb and Egypt are leading product innovation towards a broader range of financial services. The narrow product scope is clearly a legacy of the past, where services are liability-based, and exclude individual credit-risk assessment at the post offices. Growing interest by the post and postal banking entities in widening the range of services is limited by current legal and regulatory frameworks.

Institutional Aspects of Postal Financial Services

Country	State Ownership	Independent Legal Person	Regulator	Relation to Post Offices	Shared Functions with Posts
Algeria	100%	Mixed/CNE	Gov't	Internal +SLA	M + Ops
Egypt	100%	POSB	Gov't	Internal	
Iran	100%	Postbank	CB	SLA	M + Ops
Iraq	100%		Gov't		M + Ops
Jordan	100%	POSB	Gov't/CB	Internal	
Libya	100%		Gov't	Internal	M + Ops
Morocco	100%	CNE	Gov't	Internal +SLA	M + Ops
Syria	100%	POSB	Gov't	Internal	
Tunisia	100%	CNE	Gov't	Internal +SLA	M + Ops

Legend: CNE= Caisse nationale d'epargne; POSB= post office savings bank; CB= Central Bank; SLA= service level agreement; Ops= operations; M= management

The overview shows that all postal financial service entities are still fully state-owned. The postal giro centers are divisions within the post, while postal savings are operated by law through state-owned savings banks (Caisse nationale d'epargne or post office savings banks), operated by the post. Assets are deposited in specific funds under the Ministry of Finance, e.g., the National Investment Bank in Egypt or the Caisses des depots in Morocco and Algeria. In these cases, the post is essentially a wholesale funder of state funds or banks.

An exception, Iran has an incorporated Postbank, which is licensed by the Central Bank of Iran. In most MNA countries, postal financial services are not directly regulated by the Central Bank (or the Reserve Bank) because these services fall under the jurisdiction of the postal regulator (if such exists), or more often the ministry responsible for the postal operator. The need for change is being felt throughout the region, and transformation of postal financial service operations into postal banks is being considered in Algeria, Morocco, and Egypt, while partnerships with the private sector are being considered in United Arab Emirates, Jordan, and Saudi-Arabia, as well as Morocco and Egypt.

In several countries, the postal savings are the leading deposit-taking institution; in others, it is a marginal phenomenon. The total volume of postal financial transactions (active giro and savings accounts) was nearly 100 million in 2002 (an average of 5 transactions per account). Under existing accounting practices, financial services generated more than 30 percent of total postal revenues in 2002.

4—The Middle East and North Africa Landscape in Perspective

The postal financial services in Middle East and North Africa were introduced by former colonial powers at the end of the nineteenth century and beginning of the twentieth century. In most cases, the historic legislative and institutional legacy has evolved but is essentially still in place. Given the changes in the environment the call for reform has grown. And since the early 1990s the majority of the Middle East and North African countries have initiated reform in 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 Middle East and North Africa are French and British. Egypt, Yemen, and Syria had models combining features of both. The financial sectors in MNA were also based on French and British traditions, and for a long time the check was the predominant payment instrument. The check and the check book involve individual credit risk and were issued by the banks very selectively to individuals with large income. In many cases, deposit accounts could be opened if relatively high minimum requirements were met or proof of income could be provided.

Individuals with limited financial means have not been made to feel at ease in banking branches, so many post offices have been able to attract large client groups for postal savings and payments. The latter was encouraged by governments because they required military, teachers, civil servants, and students to receive their salary or stipendium via such accounts. Also utility companies and municipalities, etc., found it effective to use the postal payment system to collect taxes, fees, and bills. Since the services were handled with operational discipline, reliability, and simplicity, they appealed to a large number of individuals.

Postal savings in Egypt had an additionally attractive feature for the large groups of Egyptian migrant workers in the Middle East. These workers were able to make deposits in their savings pass books at foreign post offices instead of keeping their earnings in cash. They were also able to withdraw the funds at home. This practice, not supported by modern technology, was obviously vulnerable to fraud, abuse, errors, and delays, and faded away in the early 1990s.

The duality of financial services can still be found in several MNA countries where banks continue to serve predominantly high net-worth individuals via scattered branch networks, and where post offices provide the mass consumer with basic standard services. **However, customer sophistication has grown in the MNA region**, and many younger people consider the traditional paper-based financial instruments (check books, postal savings pass books, queuing in a bank branch or post office) as relics of the past. Both banks and postal operators have recognized this and to some extent it has powered the drive to modernize and upgrade to electronic technology. Leadership in financial services technology is of critical strategic relevance in the MNA region, and several postal operators have made impressive progress (e.g. Tunisia, Algeria, Morocco) ahead of locally-based retail banks.

This duality is also reflected in the payments systems projects. Traditionally and until recently, the clearing houses were merely a meeting place for bankers to exchange small volumes of paper-based checks. The environment of pin-striped bankers exchanging a few high-value checks per day (less than 1,000) in a clearing houses contrasts to the postal payment processing of more than 100,000 transactions per day, all small value.

5—Conclusion

The history and economic development of the Middle East and North African countries and the road to independence has been quite diverse and this has had its impact on the evolution of the postal networks and the institutional frameworks and product ranges provided at post offices. With very exceptions, one can say that before 1995 the postal financial services operated along the same lines as decades before introduced by colonial powers.

The winds of changes sweeping from the early 1990s through the communications sector induced to a separation of post and telecommunication. And, this separation on its turn has subsequently resulted in shaking up the postal financial services operations. Postal financial operations were once used to thrive as pseudo monopolists on the autonomous demand in absence of alternative providers have also been increasingly facing competition from micro- and retail banks providing cost-efficient modern services to a larger part of the population. This has eroded in several cases the (dominant) market position of the Posts. Moreover the advent of new technologies (Internet) and the increasing migration leading to stronger demand for international remittances services have resulted in changed demand patterns for postal financial services. Most of all the increased demand for comprehensive micro finance solutions. This poses new challenges to the posts 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 Middle East and North Africa.