Global Panorama on Postal Financial Inclusion: Business Models and Key Issues

UNIVERSAL POSTAL UNION

Abstract

Although for the general public – and even for practitioners – Posts may seem an unlikely champion in the fight against financial exclusion, judging from current results the Post is actually a key lever in advancing the inclusion of unbanked populations into the formal financial system. Indeed, after banks, postal operators and their postal financial subsidiaries are the second biggest worldwide contributor to financial inclusion with more than 1 billion people banked through the post. The Post is the largest network of contact points in the world, with 662,000 contact points in 2011[1], but is underused for financial inclusion. This report establishes a panorama of postal financial inclusion and presents the current status of this dimension in financial inclusion. It presents the 5 groups of business models used by Posts to offer financial services and the 11 common factors that have proven to lead to success. Finally, the paper delivers suggestions for postal financial inclusion action plans that involve postal operators, governments, central banks and development partners, and invites stakeholders to discuss these recommendations.

Note: This is the abbreviated version of a full report. Please contact Alexandre Berthaud (alexandre.berthaud@upu.int) to request a copy.

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We are especially grateful to the 123 member countries that took the time to respond to the extensive survey. And special thanks go to those postal operators that participated in conference calls, which gave us valuable qualitative information for writing the country cases: Argentina, Belize, Bhutan, Bolivia, Burundi, Cambodia, Central African Republic, Colombia, Democratic Republic of Congo, Ghana, Guatemala, Guyana, India, Indonesia, Kazakhstan, Lao People's Democratic Republic, Lebanon, Mexico, Serbia, Solomon Islands, Suriname, Tunisia and Yemen.

[1] Helble M., *Postal Statistics 2011*, UPU, 2012; pending publication

Global Panorama on Postal Financial Inclusion: Business Models and Key Issues

Brief

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I. Introduction

For the general public – and even for practitioners – Posts may seem an unlikely champion in the fight against financial exclusion. However, many Posts are leading, or have recently gone through, a major transformation process, from mail-centred bureaucracies to diversified modern commercial enterprises with a social mission to serve the whole population. Judging from current results the Post is actually a key lever in advancing financial inclusion.

One billion people banked through the Post

In 2010, 51 postal operators worldwide held 1.6 billion savings and deposit accounts. If we take a conservative position, and consider that an average postal client has 1.5 accounts, the UPU estimates there are more than **1 billion people banked through the Post**. This does not take into account all the postal banks that have been partly or completely separated from the Post, as in Uganda or Serbia for instance. In addition, our estimates based on a number of country studies[1] show that several hundred million people, often without an account, use the Post to make and receive basic payment transactions such as domestic and international transfers, government payments and utility payments.

To put this in context, CGAP estimates that the microfinance sector provides access to financial services, mostly credit services, to at least 173 million clients, and possibly more than 200 million people.[2]

In the postal sector, there is no shortage of successful cases, in which concrete results have been delivered in terms of financial inclusion: for example, the Postal Savings Bank of China, which has 475 million customers; Brazil's Correios, which opened 10.2 million accounts in 10 years through a partnership with a bank; Namibia Post, which banks 20% of the total population in the country; the Moroccan Postal Bank, which opens 1,500 accounts every day; India Post, which covers risks for 20 million people through its postal life insurance policy and holds 240 million savings accounts; Papua New Guinea Post, which offers a mobile wallet on its own, and is one of the three main competitors for mobile financial services in the country; Serbia Post, which makes 150 million financial transactions a year in a country of 10 million inhabitants, and the list goes on.

Postal operators, in all their activities, have always relied on a business model based on large volumes and low cost. This was the case for stamps as well as for savings passbooks. Combined with the universal service obligation[3] through which the state gives the mandate to the Post to serve the entire population, these specific features shared by postal operators worldwide make the Post a worthwhile ally in the global fight against financial exclusion.

Definition

Postal financial inclusion is the process whereby people excluded from the formal financial sector find a way into the financial system, using the postal network as a gateway. In other terms, postal financial inclusion is the provision of financial services for the unbanked through postal operators. Postal financial inclusion does not necessarily mean that the Post offers financial services on its own; it can also mean that the unbanked can access those services at the post office through a partnership with a financial institution.

Objective and Methodology

The role of this report is to establish a panorama of postal financial inclusion and to present the current status of this new dimension in financial inclusion, which has barely been studied before. Based on a questionnaire answered by 123 countries and the concrete lessons drawn from field missions, we have created what is probably the most complete database[4] on postal financial services worldwide, spanning postal dimensions such as network, connectivity, staff qualifications and training, automation, cash management, legal framework, products and partnerships. It seeks to bridge both the information and awareness gaps on the role of Posts in financial inclusion by providing updated and previously unpublished statistical information on postal operators. It hopes to raise awareness among decision makers and development partners alike, and open the way for postal financial inclusion to develop still further and be one of the main tools in solving the financial exclusion issue.

II. Business models

Posts have been the government's financial inclusion arm since the beginning of the 20th century in many countries, and at least since the 1960s in most. Over the years, the offer has diversified, and so have the delivery mechanisms. In 2011, 93.5% of postal operators offer financial services. Most of the services are transactional, and the most common products offered are domestic remittances, bill collection, international remittances, and government payments. Current and savings accounts are also quite present (27% of countries) in the postal sector and insurance is becoming a mainstream product. Postal financial inclusion has

[1] In India, the government uses the post to pay some of the 60 million NREGA (National Rural Employment Guarantee Act) beneficiaries. In most countries in the Europe and Central Asia region – the Russian Federation and Azerbaijan in particular – the postal operator pays several million beneficiaries of government payments, particularly pensions, both domestically and across borders. In China, 280 million domestic transfers are made by the Post each year.

[2] Microcredit Summit figures, which capture data only from a subset of organizations. CGAP estimates put the number of microfinance institution clients at around 200 million.

[3] The practice of providing a baseline level of services to every resident of a country.

[4] It should be borne in mind that the database relies mostly on self-reported data provided by Posts.

become a multi-faceted concept reflecting different realities around the world. This diversity can be better understood by classifying countries according to the business models adopted to offer financial services. Business models for postal financial inclusion are the option chosen by the Post to offer financial services to the poor and rural populations given local context, legal and regulatory frameworks, and capacity constraints (at the physical, financial and human resource level).

Our typology is based on the level of engagement of the Post in the offer of financial services and their potential impact on financial inclusion.

There are five main business models (BMs) used by postal operators: BM 1 – Cash merchant for government and financial services providers (present in 85% of countries); BM 2 – Proprietary transactional financial services (present in 62% of countries); BM 3 – Partnership with a financial service provider (present in 22% of countries); BM 4 – Unlicensed postal financial services (present in 23% of countries), and BM 5 – Licensed postal financial services (present in 10% of countries). An additional business model, which is referred to as BM 0, given the total lack of involvement of the Post, is when the postal operator rents some space to a financial services provider to sell its services. Countries can adopt one or more business model. See business model table in Annex 1 for more details.

In the business models 0, 1 and 3, financial services are actually not those of the Post, but rather those of an external party which uses the postal network as a platform for outreach. Business model 2 and the latter two business models (unlicensed and licensed postal financial services) are those for which the Post is directly involved in the provision of services. However, because there are many dimensions cutting across the business models, we have decided to deconstruct them into sub-business models, in order to reflect the multiple nuances of reality. It is also worth noting that Posts do not necessarily operate in only one business model, but actually use one, two, three or multiple business models to fulfil the needs of their customers.

The table below presents the typology of business models used by posts.

A typology of business models for postal financial inclusion

Business model 0: real estate provider - (Malawi)

Business model 1: cash-merchant (CM) for transactional financial services - (Kenya)

BM 1a: CM for remittance service provider (P2P) – (Sénégal)
BM 1b: CM for government payments (G2P and P2G) – (Jamaica)
BM 1c: CM for bill collection (P2B) – (Serbia)
BM 1d: CM for insurance companies – collection of premiums and pay out – (Mauritius)
BM 1e: CM for mobile network operator – registration, cash-in, cash-out – (Kenya)
BM 1f: CM for MFIs and banks – loan disbursement and repayment – (Lebanon)
BM 1g: CM for MFIs and banks – deposit and withdrawal from accounts – (Indonesia)

Business model 2: proprietary transactional financial services (Bangladesh)

BM 2a: proprietary domestic transfers (Bangladesh)
BM 2b: proprietary international transfers (Ukraine)

Business model 3: partnership with a financial service provider (Brazil)

BM 3a: partnership with an insurance company to offer its services (Turkey)
BM 3b: partnership with a mobile network operator for financial services (Tunisia)
BM 3c: partnership on a regional basis (India)
BM 3d: CM for multiple banks but partnership for savings accounts (UK)
BM 3e: partnership with a bank (Brazil)
BM 3f: partnership with a post bank or a government savings bank partly or completely independent from the Post (Tanzania)

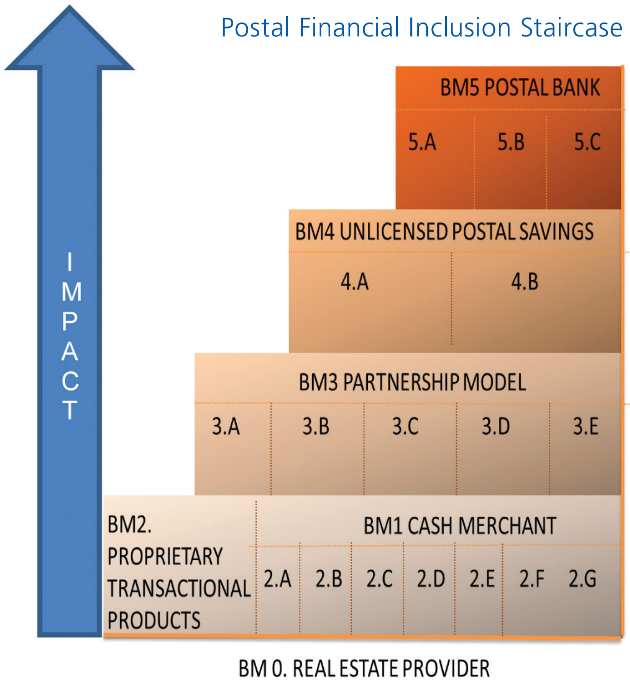
Business model 4: unlicensed postal savings and financial services (Namibia)

BM 4a: unlicensed postal giro centre and savings bank (Algeria)
BM 4b: unlicensed postal insurance (India)

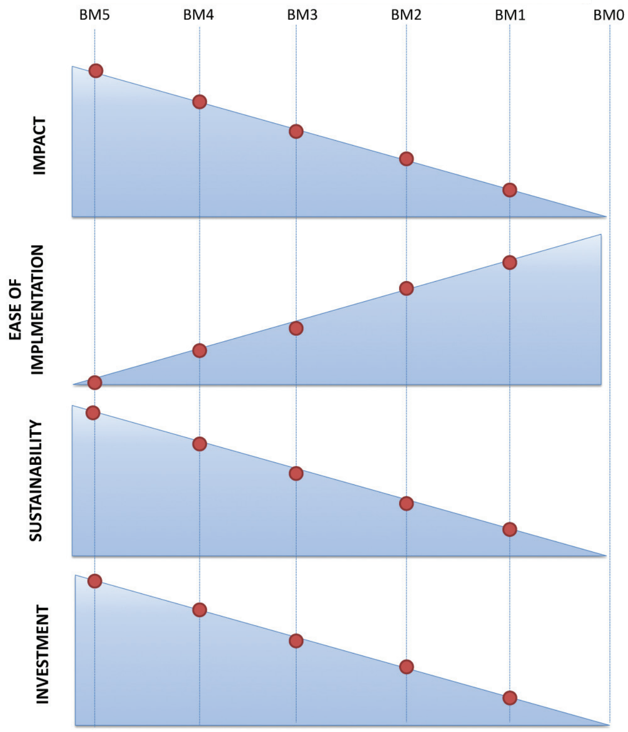
Business model 5: licensed postal financial services (Morocco)

BM 5a: microfinance licence (Benin - in the pipeline)
BM 5b: limited post bank licence (Kazakhstan)
BM 5c: universal post bank licence (Gabon)

Postal Financial Inclusion Staircase



Trade-offs in Postal Financial Inclusion



As we have seen previously, there is a wide diversity of business models worldwide, and these can be subdivided across several dimensions: who provides the service, the type of partnership, and the openness of licences, among many others. Most Posts do not stay in one business model, but actually try to move upward on what seems to be a business model ladder. However, in most cases Posts move upward in the business model scale without eliminating the previous stage, which is why it is more of a business model staircase than a ladder (see figure to the left). Posts that have never offered financial services usually start at the bottom with business model 1 (cash merchant) and then move up to the next level without leaving behind the previous one. There are very few cases of Posts moving back, unless there is a strong political decision or complete failure.

Experience shows that going through all steps enables a learning process, and that skipping several steps could be risky and result in failure. This depends highly on the context in the country and the level of modernization of the post. For instance, in the case of Azerbaijan, the Post has moved from BM 1 (cash merchant for G2P and remittances) to BM 5 (full licensed postal bank). Even though it is still early to tell, unfortunately, to date, the results have not lived up to the expectations. The resulting framework tells us that to launch a postal bank, a postal operator operating as a cash merchant should start by becoming a partner with a bank to offer all sorts of services, and not only transactional ones, and then launch its unlicensed postal savings activity if permitted by law, and should eventually seek a limited postal bank licence.

The stylized chart below compares the business models in terms of the characteristics related to their implementation and potential results. It is a visual representation of the existing trade-offs between impact and investment and between sustainability and ease of implementation, depending on the business model used. Data shows that Posts in the higher business models offering their own savings, insurance or loan services (unlicensed or licensed) have a higher share of income coming from postal financial services than those in the partnership model or other models below. The trade-off theory developed here is based on the assumption that the first types of business models (cash merchant and proprietary transactional services) are the easiest to implement and those that require the least investment, but seem to deliver a lower impact in terms of financial inclusion and long-term sustainability of the Post. Meanwhile, the models where the Post is more closely involved and offers a wider range of products, such as BM 3 (partnership), BM 4 (unlicensed financial services) and BM 5 (postal bank), deliver strong financial inclusion results and long-term viability for the Post if well managed, but require heavy investments and are hard to implement. This can be taken as indications for postal operators to decide on which business model it is best to adopt for their diversification strategy depending on their local conditions and comparative advantages. It should be noted, however, that we do not consider there is a perfect model which can suit all.

III. Key issues in postal financial inclusion

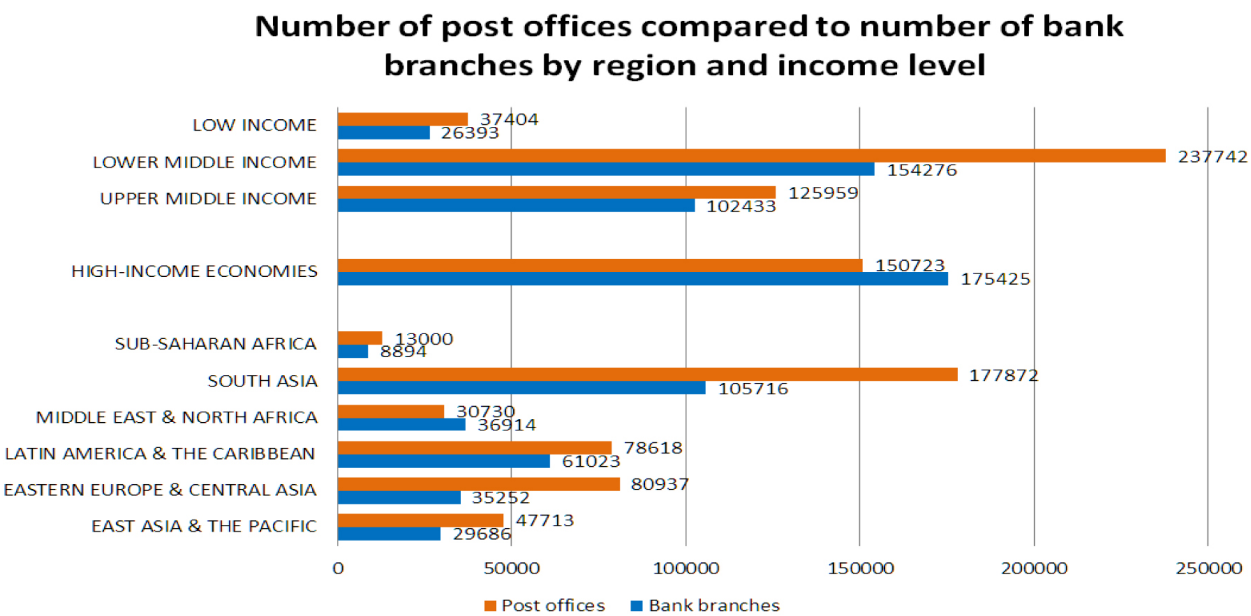
Given the huge diversity in postal financial inclusion, it is almost an impossible task to synthesize, across regions and income levels, the issues which are to be considered when analyzing the postal operator's degree of preparedness to become a spearhead of financial inclusion. There are, however, 11 common factors that have been proven to lead to success, but can become challenges for Posts: i) network; ii) staff; iii) financial capacity; iv) trust; v) automation and process integration; vi) willingness to foster financial inclusion; vii) governance between the Post and postal financial services; viii) legal and regulatory framework; ix) marketing x) Flexibility, and xi) historical legacy. This section will explore the most important but complete information can be found in the main report.

1. The network

The Post is the largest network of contact points in the world, with 662,000 contact points in 2011, but is underused for financial inclusion. In comparison, the IMF statistics on financial access for 2010 show a total of 523,000 bank branches and ATMs worldwide.[5]

a. Capillarity

The UPU does not set a standard for postal density; however, on average globally there is one post office per 10,000 inhabitants. In terms of postal density in square kilometres, the world average is one post office per 206 km2 in 2011[6], however there is a huge diversity among regions.



Source: UPU 2011, IMF 2010

The figure above shows us that in all the developing countries groups (low, lower middle and upper middle income countries) the physical infrastructure of the Post is much larger than that of banks. In lower middle income countries, the difference is massive. Indeed, for those countries, the postal operator has a network which is 50% larger than that of all the bank networks together. India Post, with its 155,000 offices, accounts for a vast majority of those contact points. It is important to highlight that one single network, the Post, has more contact points than all the banks put together. In many countries the banking network is not integrated, since national retail payment systems that would allow the different banks to talk to each other are not implemented everywhere. Capillarity appears to be a definite comparative advantage for Posts when compared to other financial service providers that could benefit from using the postal network to offer their services in partnership.

The factors evaluated above correspond to density, but if banks are mainly concentrated in urban areas, they can have an acceptable density but still be underperforming in terms of coverage in rural areas. This is typically the case for sub-Saharan Africa, where concentration of bank branches in the three largest cities of a country is often close to 50%[7]. On the other hand, a UPU study conducted by Ansón and Toledano has shown that more than 80% of post offices in SSA are concentrated in rural areas outside the three largest cities.[8]

[5] *Financial Access Survey*, International Monetary Fund, 2010. http://fas.imf.org/

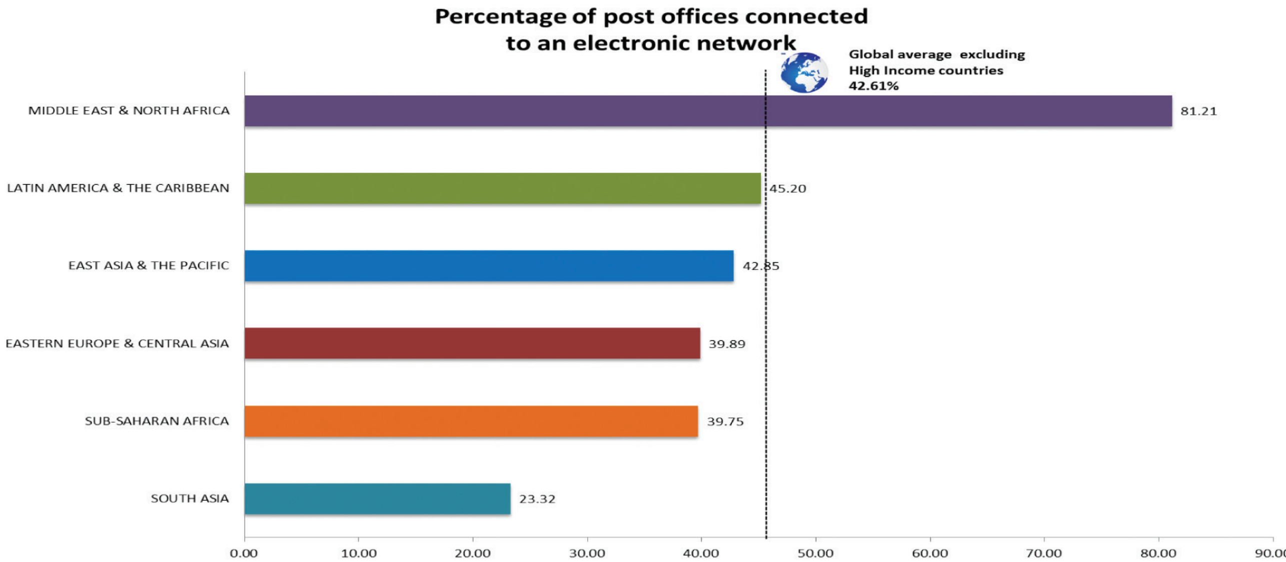
[6] Helble M., *Postal Statistics 2011*, UPU, 2012; pending publication.

[7] *Financial Access Survey*, International Monetary Fund, 2010

[8] *Postal Economics in Developing Countries : Posts, Infrastructure of the 21st Century?,* Joëlle Toledano and José Ansón (ed), UPU, 2008

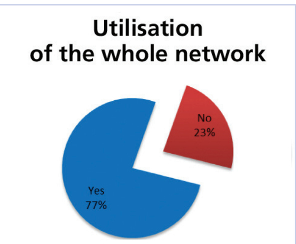
b. Connectivity

Connectivity is particularly important for savings and other types of deposits where all post offices offering the service must be able to obtain a real-time position of the accounts to avoid operational risk in the form of a client overdrawing. The graph below shows us that approximately 43% of permanent post offices in the developing world are connected to an electronic network.



Source: UPU, 2010

c. Full use of the network



Source: UPU 2011

Unfortunately, most postal operators do not use the totality of their network to offer financial services. The graph to the left shows us that 23% of postal operators offering financial services do not offer them in all of their offices. Additionally, only about half (46%) of postal agents in the world are used for financial services. Unfortunately, the offices where the services are not offered are often the most rural and isolated ones, where the need for financial services is stronger given the lack of other financial service providers. Even in countries with appropriate levels of modernization of branches, postal agents are very often underequipped. This is slowly changing as more and more, postal operators start to fully use their whole network for the provision of financial services; the next phase is then to offer these services through their agents. For instance, in the case of Brazil, after connecting and offering financial services in its 6,000+ offices it has launched a new project to use its 8,000 postal agents, which are mainly small shops in far-flung areas, not only to receive mail and sell stamps but also for financial services.

2. Staff

In terms of staff, there are eight important indicators to evaluate when determining a Post's capacity to deliver financial inclusion: computer literacy levels, training, customer service, financial incentives, turnover of personnel, resistance to change, performance culture and results-based assessment, and existence of fraudulent and corrupt practices.

Postal financial inclusion is not always considered as part of the core business of postal operations. So it usually requires a strong impetus and vision to push forward a project in this direction. In most success stories, there has been a specific champion or group of people at the Post who place strong emphasis on the diversification of the Post into financial services. A good example comes from La Poste du Sénégal and its former CEO, Iba Basse, who in 2002–2003 convinced the Post's line Minister and the Minister of Finance to include the restructuring of the postal operator as part of two World Bank projects. The first project focused on budget support to assist financial restructuring, while the second mainly consisted of technical assistance to build capacity at the Post to offer financial services. The results are quite clear today: La Poste du Sénégal has created an independent structure called Postefinances, a strong player in financial inclusion in the country, which many Posts in West Africa look up to.

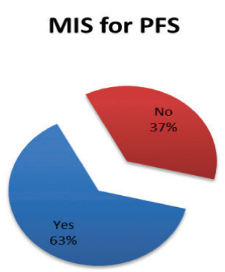
3. Financial capacity

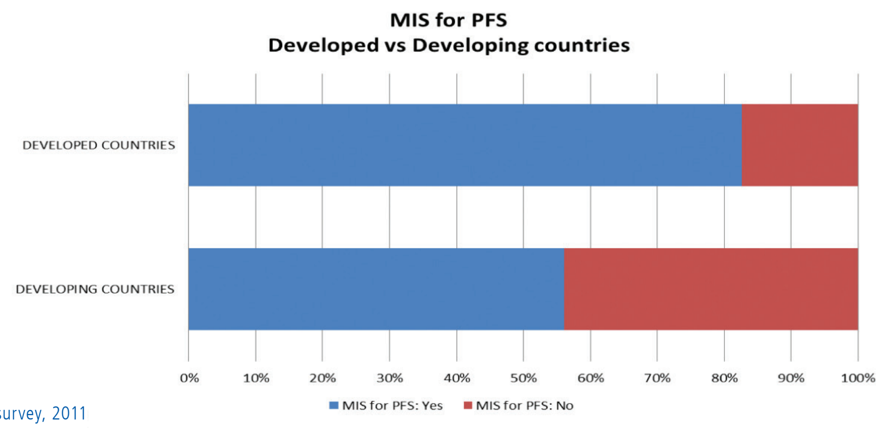
The issue in many countries is that Posts are operating at a loss in their core mail business. This is the result of several factors: first of all, the decline in the mail business, which has taken its toll on most postal operators worldwide, but also partly the lack of market orientation, inefficiencies, issues of good governance, the lack of a policy framework that could provide the right incentives. Meanwhile, private companies focus on the most profitable business in urban areas, while designated operators need to maintain an expensive rural infrastructure. The accumulation of losses often translates into a series of debts with suppliers or partners. This puts Posts in a critical financial position, where they have to solve emergencies such as paying salaries with money that is not intended for that purpose, often breaching the ring-fencing rule.[9]

According to UPU statistics, 65% of postal operators worldwide are profitable. Those who are not, often combine solvency and liquidity issues. When we analyze the reasons for failure of financial inclusion partnerships, we see that the lack of liquidity in the postal network is often the main problem.

4. Automation

Automation is key to the appropriate development of postal financial services and to the ability to compete with other financial service providers and agent networks. Today, most financial actors, including local savings cooperatives, are looking into how to modernize their services and move from paper to digital systems; the Post is no exception. A major gain in terms of internal controls can be achieved through the automation of processes. The use of a management information system for postal financial services with all the operational data gathered in a single system can not only greatly facilitate strategic decision making, but also limit the risk of fraud. According to the survey, 63% of Posts worldwide have a management information system for financial services. In this sense, Posts are lagging behind banks, which are virtually all equipped with MIS, given prudential requirements. Acquiring a management information system usually involve significant amounts, which most Posts cannot afford given their financial situation; however, such investments are virtually necessary in order to guarantee success in postal financial inclusion. For instance, Pakistan Post has just installed a centralized IT solution for almost 800,000 USD. This is an area where governments and donors can intervene and have a powerful impact on financial inclusion.





Source: postal financial inclusion survey, 2011

5. Trust

Trust is an important factor for Posts. In many countries, Posts have built a relationship of confidence with the people they serve. This factor is, however, highly dependent on the region. In most of Latin America - except Brazil and Chile, where trust levels are exceptional-, and in several countries in Africa, postal operators' trust is below par. However, it is interesting to highlight the strength of postal trust in Eastern Europe and in South, Central and East Asia.

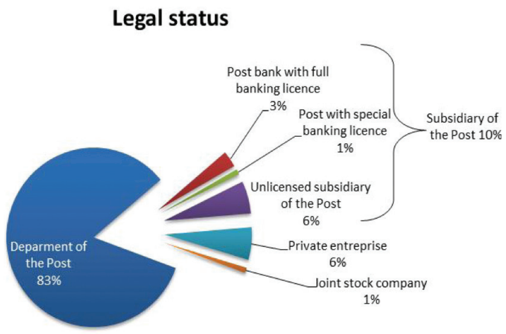
6. Willingness to foster financial inclusion

The willingness of decision makers in government to leverage the postal network for financial inclusion purposes, or at least to increase geographical access to financial services using the Post is a key determinant of success in this area. A typical government is interested in increasing levels of formality in the economy. This can be achieved in part by people using transactional and account-based postal financial services. Governments are also interested in finding ways to increase the level of deposit collection from the general public as a way to affordably finance itself without depending on external creditors. This financing can of course only cover part of a government's debt. In many cases, this has been done by requiring the Post to invest its deposit balances in treasury, either by purchasing treasury bills or by depositing directly the savings and deposits at the treasury.

In other cases, the government wants these deposits to help the development of the economy; this is the case of Morocco, where the savings collected must be deposited with a development bank (Caisse de dépôt et de gestion), so that they can be invested in the country's strategic projects.

[9] The post should ring-fence funds belonging to third-parties such as money transfers and by no means should these be used for general expenditures.

7. Governance between the Post and postal financial services



Source: postal financial inclusion survey, 2011

In spite of geographical differences, there seems to be a recent trend towards building legally independent postal financial services entities, either as fully licensed postal banks (South Africa), limited licence banks (Morocco), or other intermediate forms such as a postal microfinance entity (project under way in Benin). In this context, the actions to improve the link between the Post and an independent postal bank are important and deserve to be analyzed.

The most common structure among the surveyed countries is for postal financial services to be offered by a department of the Post. This is the case for 83% of countries.

The second category is for countries that have created a separate legal entity for their postal financial services, but this entity is a subsidiary of the Post either fully or in part. This is the case for 10% of the 123 countries that responded.

A third case which seems to be a low-hanging fruit with enormous potential is the linkage between an independent postal bank and the postal operator. In theory, such partnerships should be facilitated by the historical relationships between these institutions which emanated from the same corporation. However, this is not the case today. Based on recent UPU field assessments, the main issues hindering the development of partnerships between independent postal banks and Posts in several parts of the world are threefold: i) transfer pricing schemes; ii) lack of trust among former partners; and iii) lack of process streamlining.

8. Legal and regulatory framework

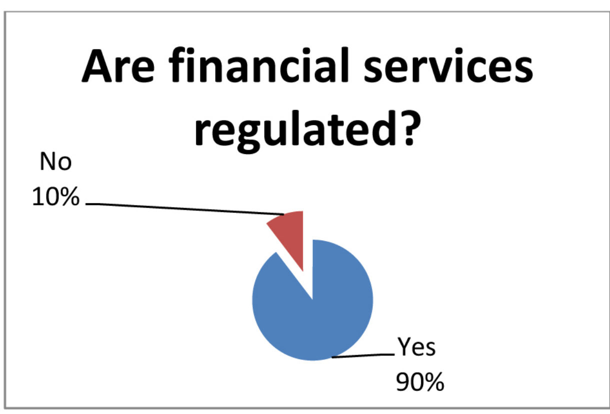
The legal and regulatory framework establishes whether a Post can offer certain services and whether it can operate a postal bank or become an agent for a financial service provider. It thus determines not only the business model for pursuing postal financial inclusion, but also whether postal financial services can be launched at all.

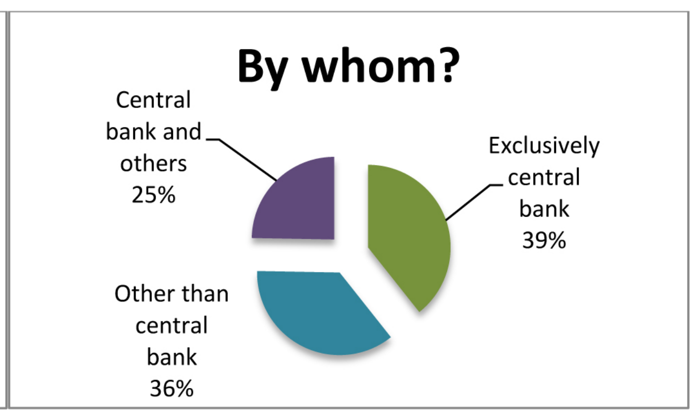
Posts operate within a well-controlled legal environment; usually, this takes the form of a postal act which creates the postal operator and establishes the services offered by the Post and the conditions under which they can be offered. However, postal financial services are often left in a regulatory limbo between the postal regulation enforced by the line ministry – usually the ministry of information and communication – and the financial sector regulation enacted by the banking supervisor and/or the central bank. This results in an unpredictable legal and regulatory framework for postal financial services, with none of the regulators ready to take action to create an enabling environment for those services. This situation is starting to change, and the overall trend is for the central bank to take an increasing stake in oversight and supervision of postal financial services.

A completely enabling legal and regulatory framework should guarantee the following six principles for the postal operator:

a. Oversight/supervision of the central bank

As an actor involved in the provision of financial services, the Post should report to the central bank on the services it offers. This is particularly true for deposit accounts (giro and savings accounts). It is important for the central bank to be able to monitor evolutions in the balance sheet of a financial service provider such as the Post and to intervene if necessary. In 90% of countries, postal financial services are regulated. This





Note: Graphs in this section do not necessarily reflect the actual regulation, but represent the Post's perception of the regulation relating to postal financial services and partnerships. Source: postal financial inclusion survey, 2011 means that the legal environment for postal financial services worldwide is well established on paper. The question for the Post is then who is in charge of enforcing it, and for which products. For instance, in Comoros the Post reports to the line ministry for postal services and to the central bank on a monthly basis for account-based services.

The figure above shows that the financial sector regulator does not supervise postal financial services in only 36% of the countries that responded. This seems to be a reasonably good proportion, and it has changed a lot in the past ten years, with central banks increasingly willing to control postal financial services. This is a positive trend which will be worth monitoring over time.

One of the key challenges faced in particular by countries that have poor governance levels and which provide account-based services without supervision from the central bank is the disappearance/unavailability of savings and current accounts deposits that have been used over time to pay salaries, or have even been stolen at different levels of the postal organizations. In many cases, the Post is not in a position to refund those accounts. In some cases, the state has had to fund the missing part of the accounts. In Gabon, this was a necessary step that had to be undertaken prior to the launch of the postal bank. In Niger, postal savings were shut down in the early 1990s because of this issue.

This challenge can be solved by supervision from the financial regulator, automating processes, and increased internal controls, which unfortunately are still missing in the least developed Posts.

As mentioned above in the section on financial capacity, another important topic is the separation between savings and other services. In some countries when the Post was not regulated by the central bank, expenditures of the Post such as salaries were borne by the savings bank or the postal giro centre accounts.

b. A "light" banking licence to accommodate for postal savings

In the case of postal savings, a "light" banking licence or a banking licence limited by scope to savings should be enough, since the entity will not engage in loans (see more on limited banking licences in the full report in section II, Business models). Investments must be limited to government securities or other bonds which can guarantee the safety of deposits. A "light" banking licence can ensure segregation of savings and deposit balances from postal operations and from treasury. The central bank should not ask the Post to apply for a full banking licence, since this would be too costly and not necessarily adapted.

c. Agency banking guidelines allowing Posts to open accounts on behalf of a bank

For the Post to be able to offer financial products in partnership with a bank or another financial institution, a legal framework must exist for it. This usually comes in the form of agency banking guidelines or directives issued by the central bank. Ideally, guidelines should allow agents to open accounts on behalf of the financial institution. This is the case in the most evolved frameworks such as that of Brazil. Other countries, such as Colombia, are still struggling to allow banking correspondents to open accounts on behalf of banks, mainly owing to a question of Anti-Money Laundering (AML) prevention, which is a major issue in that country. For now, only a person hired by the bank is allowed to open accounts.

d. Allow insurance agents

Insurance companies should be allowed to use channels other than their own offices to deliver their products, Posts being one of those delivery channels.

It is interesting to note that 27 countries out of 123 responding offer insurance services. And out of these, 17 are postal operators from developing countries.

In terms of legal framework, the ECA and MENA regions are the ones where Posts are most likely to be able to partner with an insurance company in order to perform transactions on its behalf, such as collecting premiums or delivering payouts after a claim is processed.

This is an exciting sphere which should be explored further in the future, since Posts can be a great delivery channel, in particular for insurance companies entering the micro-insurance market, or in general in the retail life insurance market. (More detail on insurance partnerships can be found in section II, Business models).

e. Direct access to national retail payment systems

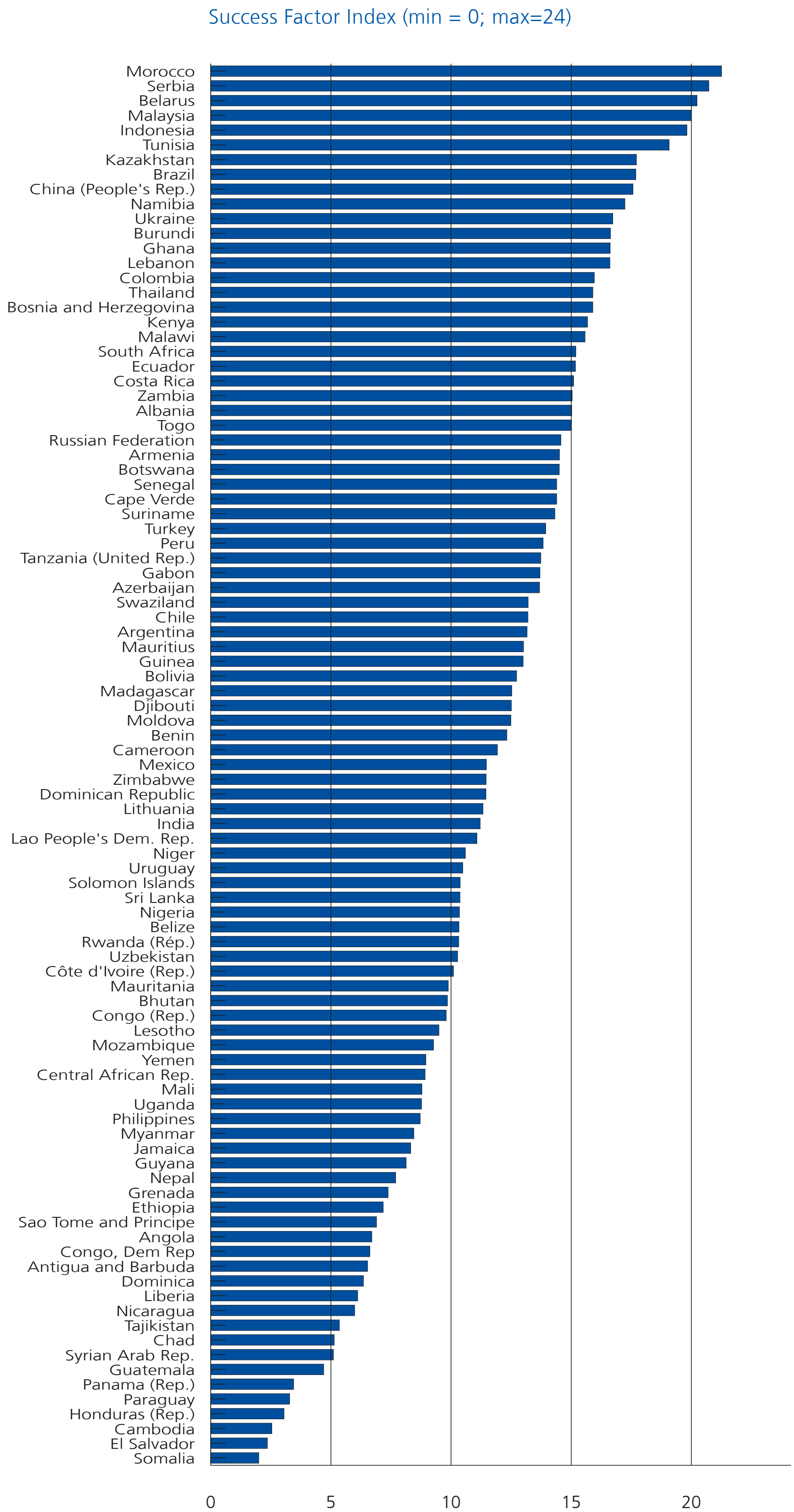
In order to provide financial services directly and more affordably, without having to go through a settlement bank, and thus to be able to compete with banks on an equal footing, Posts should be included in the list of market participants that are allowed to have direct access to national retail payment systems, as long as the Post can meet the same conditions as the other participants in the system. This is an important requirement to ensure safety in the system.

f. Entitlement to issue electronic money

Finally, for Posts looking to launch their own mobile-based postal financial services, it is important that the e-money framework allows the postal operators or their financial services branch to issue electronic money, if they meet the requirements. This is the case for postal giro centres in West Africa, under the 2006 e-money directive from the regional central bank (West African Central Bank – BCEAO).[10] For now, only a limited number of countries have issued electronic

[10] www.bceao.int/IMG/pdf/INSTRUCTION_N_o_01_-_2006_-_SP_DU_31_JUILLET_2006.pdf.

Global ranking of Postal Operators in Developing Countries based on PFI Potential



money regulations. This is an important point, since it opens the possibility for central banks to take this into account when drafting regulations and broaden the e-money framework for Posts to participate in it.
However, as mentioned before, the legal and regulatory framework is an exogenous factor on which the Posts have little margin for action. The factors mentioned are not preconditions for developing postal financial services. They represent a framework which determines the possible business model options available to the Post.

9. Marketing

Postal operators are not used to competing for clients, given their history as postal monopolies. Therefore, the concept of promoting services and adapting them to the needs of the different segments of the population is a strong challenge for many Posts. For instance, little attention is paid to segmentation of the population and adapting the product offer to the needs of the clients. Interestingly enough, those postal operators that have turned into banks (Morocco) or want to compete against banks (Senegal) are paying increasing attention to the needs of their customers.

10. Flexibility (opening hours, adaptation to needs)

If the Post is extremely convenient because of its rural outreach, it has inherited administration hours in most cases, and is not particularly flexible on opening hours/days. In many cases, opening hours cannot be changed, but flexibility can come in the form of the use of postmen for cash delivery and cash collection, as in the case of Bangladesh. There, BanglaPost has equipped its postmen with POS terminals and launched a prepaid card which can be read in the terminals. Today, the rural population can withdraw money from their account when their postman comes. This is true flexibility.

11. Historical legacy

Posts in most of the developing world were inherited or adapted from former colonial powers or regional models. The common history of CIS countries, which lasted at least 70 years, explains in part the generalized high level of government payments operated through the post in the region. Legacy also explains why French-speaking countries in Africa have usually separated postal savings banks and postal checking centres.

If legacy is being challenged today with increasing variations between business models within the same region, it is still a determining factor in the selection of a business model.

12. Conclusions: Setting up a Success Factor Index and Global Ranking of Countries

The key issues identified above are success factors when the indicators point in the right direction. Therefore, if we attribute a specific weight to each of the indicators, we can construct a success factor index. The success factor index is intended to represent the capacity of a postal operator to become a lever for financial inclusion. It can become a formidable tool for decision making and for posts and governments to benchmark themselves against other postal operators in the region and in the world. There are three main components to the success factor index reflecting the key categories presented above: i) Capacity, ii) Automation, iii) Legal and Regulatory Framework. We selected these three overarching factors because they are the most relevant. Also, since these dimensions are easily quantifiable we have solid data for each of the indicators. Each of the three components is in itself an index built on a series of weighted indicators which to our knowledge best reflect reality. For a detailed description of the indexes please read the full report.

IV. Conclusions and opportunity map for financial inclusion

The analysis presented in this report allows us to distinguish four groups among Posts according to their characteristics and the role they can play in financial inclusion: i) advanced Posts; ii) emerging Posts, i.e. Posts which are able and willing to foster postal financial inclusion; iii) modernizing Posts, i.e. postal operators which are willing but partially unable; and iv) least developed Posts, i.e. postal operators facing major challenges to develop postal financial inclusion. It is worth noting that these categories correspond to a financial services vision and not to a postal vision.
As a conclusion, we will describe each of the groups and provide some recommendations for postal operators, governments, financial regulators and donors to achieve maximum impact on financial inclusion using postal networks.

Advanced Posts

Most Posts in this category are the postal operators of high income countries, where the Post still has a role to play in financial inclusion. These countries generally enjoy high levels of financial inclusion, however, there are pockets of poverty and exclusion, particularly concentrated among certain groups that are under-served in terms of financial services. This is especially true of migrant populations and religious or ethnic minorities that are economically disadvantaged. For example, in France, a large proportion of migrants are banked through the postal bank, which has the mandate to open accounts to everyone without any sort of discrimination.

Emerging Posts: able and willing modern Posts

In some countries, postal operators have led a transformation process, using their own resources or with some government support. Those countries, first and foremost the BRICS (Brazil, Russia, India, China and South Africa), and other emerging and developing countries such as Indonesia, Turkey, Morocco, Namibia, Colombia, Kazakhstan or Serbia, have managed to bridge the gap between paper and electronic, monopoly and competition, mail-centred and financial services-centred postal operations. In that group of countries, postal operators have all the cards in hand to become key drivers of financial inclusion. They are well connected, have well-trained staff, are often operating at a profit, and are appropriately modernized. Interestingly enough, there is no common business model for this group of countries and this may reflect the fact that there is no golden business model for postal financial inclusion. The choice of the business model depends on the context. Members of this group are not necessarily higher middle income countries but actually span all income levels, although low income countries are hardly represented. In many instances, emerging Posts are much more innovative than the advanced Posts in terms of postal financial inclusion. The advent of affordable technology and enabling legal environments, combined with pressing needs to increase financial inclusion, have created interesting windows of opportunity that these Posts are taking advantage of, which is not necessarily the case of advanced Posts.

Recommendations

To postal operators

Countries in this group should first decide which is the business model best adapted to their context, since as we said before there is no perfect model for all posts. In general, Posts that do not offer any type of financial services at all, or offer only paper money orders, can evaluate the possibility to become cash merchants for deposit-taking institutions (banks, MFIs, SACCOs, etc.) to start learning the trade. Those offering basic cash-merchant services such as G2P payments and bill collection could try to launch a strong partnership with one or more banks in which account opening and possibly loans are involved. Finally, those that already offer account-based financial services directly could look into formalizing the provision of services by requesting some sort of licence from the central bank, which is a positive move for consumer protection.

An important point for emerging posts is that they should try to better understand the client's needs, and adapt their products accordingly.

Pricing is a third issue for this group of postal operators. The core business model of the Post is to combine low cost with high volumes. Offering basic packaged offers at low cost specifically geared towards the unbanked can be a solution to pricing issues. By bundling products and offering a basic response to needs, Posts can reduce their delivery cost and thus the price to customers, while facilitating the sales pitch for the tellers thus increasing uptake. Part of the big advantage that the post has is that existing infrastructure and staff can be leveraged to deliver financial services with wide outreach. This is much cheaper than starting a delivery infrastructure from scratch.

To governments:

Governments should continue to invest in their postal operator, including in upgrading the network of postal agents to be able to deliver financial services through this network. Authorities should ensure that postal banks or postal financial services spin-offs start to or continue to use the postal network as long as the network offers good customer service at a reasonable price to the postal bank. Finally, they could try to channel their government payments through the postal network by depositing pensions or social transfers into postal accounts, where these exist, through other banks that use the postal network as cash merchants, or on reloadable prepaid cards distributed by the Post.

To central banks:

For Posts in this category that have or want to develop account-based services, the central bank should create a "light" banking licence, for the Post to offer only certain products, mostly for the lower and middle income segments of the population. Central banks should also provide an enabling regulatory framework for Posts to be able to become a delivery channel for those services that it does not offer at present. This consists mainly of an agency banking framework, and potentially also the possibility for Posts to issue electronic money if they meet the requirements imposed on other providers. In this case, it is important that the central bank allows the Post to be the "bank" partner in a mobile wallet deployment, if it meets all the requirements for this function as is the case in Tunisia today. Finally, Posts should be allowed, under certain conditions, to be direct participants in the national retail payment system.

Modernizing Posts: postal operators that are willing but partially unable

The modernizing Posts are postal operators which see the importance of diversification into financial services and have a certain number of success factors on their side, but face serious constraints which make them unable to move firmly into postal financial strategies. These postal operators tend to represent countries in the middle and low income groups.

In most of these countries, there is a modernization process under way, but yet not complete, in response to the loss of market share in the logistics business and the reduction in mail volumes. However, for most of these countries the modernization process is not yet complete.

Among the modernizing Posts we can cite countries such as Kenya, Tanzania, Ethiopia, Mexico, Peru, Uzbekistan, Mauritania, Burkina Faso, Philippines and the Solomon Islands.

Recommendations

To postal operators:

For this group, the recommendation is to adopt a two-pronged strategy: on the one hand, looking for additional resources from governments, donors and internally, in order to modernize as quickly as possible, in particular in terms of automation and training of staff; and on the other, launching partnerships with external operators to learn from them how to provide financial services efficiently. Posts that already offer account-based services could envisage applying for a "light" banking licence from the central bank to offer savings directly, and to sign partnership agreements with commercial banks to offer loan products that can complete the offer and ensure consumer retention.

Minimum computer literacy levels should be required when hiring front office staff, and priority should be given to personnel with good customer relations.

For middle and top management of postal financial services, the Post should try to hire top performers with previous work experience in the financial sector.

To governments:

After a careful analysis of costs and expected social and financial return on investment, authorities could invest heavily in their postal operator, in particular to increase basic connectivity of all full-fledged post offices and training of staff. Investments should also be planned to automate operations and back office by acquiring an IT platform or developing it in house, if skills are available. In these countries, government payments could be transferred in cash, through accounts at the post or other banks who use the postal network as cash merchants, or through reloadable prepaid cards at the Post.

For this group, posts should link with the broader financial inclusion community in the country. A postal financial inclusion committee could be created, composed of the line ministry for Posts, the central bank and the postal operator, which would set goals for the Post and monitor progress against those objectives, as well as providing it with the appropriate tools to attain the goals.

To central banks:

Central banks should try to develop an enabling legal and regulatory environment for the Posts to upgrade and modernize their offer of financial services by providing sufficient regulatory openness. For instance, in the context of modernizing Posts, it is extremely important to allow agent banking, and in particular the ability for Posts to open accounts on behalf of the bank or the MFI.

Least developed Posts

Finally, the least developed Posts are the ones which, owing to their limited financial capacity, have not been able to modernize, and have for the most part entered a vicious circle, where lower mail volumes translate into losses, and negative results entail lower investment, and thus lower levels of modernization and low capacity to offer financial services.

Even though postal operators from countries in the low income group are over-represented in this category, some postal operators from middle income countries, especially in Latin America, such as Nicaragua, Paraguay or Venezuela (Bolivarian Rep.), for instance, can also be found.

For the most part, least developed Posts usually do not offer account-based financial services. They have either been separated from them, as in Mali, or have never offered such services, as in Tajikistan.

Recommendations

To postal operators:

These postal operators tend to be in countries where financial inclusion levels are dismal, and the non-postal financial infrastructure does not reach into the rural areas. Therefore, the need for financial inclusion is high, but the Post is not in a position to answer that need owing to lack of resources and capacity. In that case, the recommendation is for the Post to launch basic payment services such as domestic remittances and bill collection. The Posts in this category can also look into a joint venture with a bank, an MFI or an MNO that is interested in using the existing physical network, and to have the partner fund the upgrade of the physical and IT infrastructure together with the training of the staff.

To governments:

Line ministries should pay increased attention to the Post. This begins with recruiting capable and dynamic top management for the Post. Also, comprehensive modernization and diversification plans should be elaborated and agreed upon by the Post and the trade unions, as a pre-condition for government to renegotiate debts. The government should then renegotiate debts of the postal operators towards government agencies, and reconstitute postal savings when these have been used to cover operational losses. Creating a new postal enterprise that inherits only the assets of the Post can be a solution in certain situations. The business plan should be prepared by the line ministry in agreement with the postal operator for submission to donors and international financial institutions to revamp the Post and modernize it, so that it can offer financial services in rural areas.

To central banks:

Central banks should make sure that Posts offering account-based services which are in this category fall under their oversight, if not their supervision. However, it would be worth considering risk-based approaches for the supervision of postal financial services to avoid undermining the comparative advantage of the post in terms of offering services to the vast majority.

Recommendations to donors

Below are some recommendations made specifically to donors, according to the modernization level of the postal operator in the country of intervention.

Emerging Posts:

The development community could have the most impact in these countries by funding exchange visits and technical assistance on some specific topics such as client knowledge, marketing, development of new products or new channels such as mobile or POS, and even pricing strategies.

Modernizing Posts:

Assessment missions should be funded to assist modernizing Posts in establishing their postal financial inclusion strategy and the action plan to implement it. At this stage of postal development, the most important thing is for donors to finance the upgrade of IT systems and basic connectivity.

Least developed Posts:

Development partners have a key role to play in these countries. Indeed, the need exists for donors to fund "regeneration" plans prepared by line ministries with the assistance of experts, possibly from the UPU, and in particular the financial inclusion part of those plans. Technical assistance is needed to identify the key priorities, given limited resources, and to accompany the Post in its modernization process.

The UPU understands the difficulty of making recommendations given the wide diversity of contexts. Therefore these recommendations should be taken as suggestions to start a reflexion and we invite all interested stakeholders to discuss them in more depth in an ad hoc working group, which the UPU could lead to set up a list of general principles for postal financial inclusion.

Potential Results of the action plan

If 51 postal operators offering savings accounts can bank a billion people, the other 141 member countries of the UPU, which do not offer savings services including strongly populated countries such as Nigeria, Russia, Mexico, Ethiopia, or the Democratic Republic of Congo, could easily provide a gateway to financially include at least 500 million unbanked people directly or through partnerships with banks.

In those countries where postal savings banks are already present, a lot can still be done to increase the number of unbanked people accessing formal financial services through the post. At least 500 million people could be banked in the next ten years if existing postal financial services were modernized and invested in by donors and governments alike. For instance in Pakistan, a country with a population of 173 million there were only 1.4 million accounts at the postal savings bank.

Finding the double equilibrium point between sustainability and impact, and between postal financial inclusion and safety

Finally, this report has sought to find the right balance, or what we could call the equilibrium point, between two policy objectives necessary for postal financial inclusion to become a reality worldwide: the impact on financial inclusion on one side, and the sustainability of the postal operator on the other. Postal financial services need to be profitable, indeed without sustainability of postal operations, postal financial inclusion will not last. In the meantime high costs may prevent the unbanked from entering the financial system even through the postal network which is closer to them geographically.

There is another equilibrium point that needs to be found between allowing the post to offer all sorts of financial services and the financial inclusion objectives of governments and central banks alike. Indeed, Central banks and government are often interested in promoting financial inclusion, however, in several cases post offices are limited by regulation to a certain range of services and are not always entitled to some of the prerogatives of banks such as issuance of electronic money or payment system access. Policy makers and financial regulators must find the right mix of regulatory openness for Posts offering financial services while requesting for risk management improvements and that Posts target not only, but mainly, the first three quintiles of the population.

As a final conclusion, we can see that postal financial inclusion is not a static sector to which we can apply a single strategy in order to achieve results. It is an ever evolving arena where different players interact to deliver financial inclusion in a cost-efficient way through the existing postal network. Postal operators, governments, donors, financial service providers and regulators all have a role to play, and should try to coordinate their agendas around a single outcome: financial inclusion.

Table: Global Panorama of Business Models in Postal Financial Inclusion

	BM 0	BM 0	BM1.A CM remittances	BM1.C CM Bill Collection	BM 1.B CM G2P	BM 1.D Insurance Companies	BM 1.E CM Mobile Money	BM 1.F CM Bank or MFI for loan transactions	BM 1.G CM Banks and MFIs for account transactions	BM 1	BM2.A Offers domestic remittances on its own	BM2.B Offers international remittances on its own	BM 2	BM 3.A Partnership Insurance	BM3.B Partnership with Mobile Network Operator	BM 3.C Partnership Regional	BM 3.D CM for many, partnership with one bank	BM 3.E Partnership model with Bank (Brazil and Colombia)	BM 3.F Partnership model with a postbank partly or completely independent	BM 3	BM 4.A Unlicensed Postal Accounts	BM 4.B Unlicensed Postal Insurance	BM 4	BM5.A Microfinance License	BM5.B Limited Postal Bank License	BM5.C Universal Postal Bank License	BM 5
Cambodia											●		●														
China			●				●			●	●	●	●													●	●
Indonesia			●	●	●	●	●	●	●	●	●		●					●		●							
Laos			●	●						●	●	●	●								●		●				
Malaysia			●	●	●	●		●	●	●								●		●		●	●				
Myanmar			●	●			●			●																	
Philippines					●					●	●	●	●						●	●					●		●
Solomon Islands	●	●										●	●														
Thailand			●	●				●	●	●																	
Vietnam											●		●						●	●							
Albania				●	●	●				●	●	●	●														
Armenia			●	●	●					●	●	●	●					●		●							
Azerbaijan			●	●	●	●	●	●	●	●																●	●
Belarus				●	●	●	●	●	●	●	●	●	●														
Bosnia and Herzegovina			●	●	●	●				●								●		●							
Bulgaria				●	●					●	●	●	●														
Kazakhstan			●	●	●	●	●	●		●	●		●	●				●		●						●	●
Lithuania			●	●	●	●				●	●		●					●		●	●		●				
Moldova			●	●	●	●				●	●		●														
Romania			●	●	●	●	●			●									●	●							
Russia			●	●	●	●	●			●	●		●														
Serbia			●	●	●					●	●		●						●	●							
Tajikistan			●							●																	

	BM 0	BM 0	BM1.A CM remittances	BM1.C CM Bill Collection	BM 1.B CM G2P	BM 1.D Insurance Companies	BM 1.E CM Mobile Money	BM 1.F CM Bank or MFI for loan transactions	BM 1.G CM Banks and MFIs for account transactions	BM 1	BM2.A Offers domestic remittances on its own	BM2.B Offers international remittances on its own	BM 2	BM 3.A Partnership Insurance	BM3.B Partnership with Mobile Network Operator	BM 3.C Partnership Regional	BM 3.D CM for many, partnership with one bank	BM 3.E Partnership model with Bank (Brazil and Colombia)	BM 3.F Partnership model with a postbank partly or completely independent	BM 3	BM 4.A Unlicensed Postal Accounts	BM 4.B Unlicensed Postal Insurance	BM 4	BM5.A Microfinance License	BM5.B Limited Postal Bank License	BM5.C Universal Postal Bank License	BM 5
Turkey			●	●	●			●	●	●	●	●	●	●						●	●		●				
Ukraine			●	●	●					●	●	●	●														
Uzbekistan				●		●				●	●		●														
Antigua and Barbuda			●							●																	
Argentina			●	●	●					●																	
Belize			●	●						●																	
Bolivia											●	●	●														
Brazil				●	●					●		●	●					●		●							
Chile			●							●	●	●	●														
Colombia				●	●					●	●	●	●					●		●							
Costa Rica					●					●		●	●														
Cuba				●	●					●	●	●	●														
Dominica											●	●	●														
Dominican Republic												●	●														
Ecuador				●						●	●	●	●														
El Salvador																											
Grenada			●	●	●					●																	
Guatemala																											
Guyana			●	●	●			●		●	●		●														
Honduras																											
Jamaica			●	●	●			●		●																	
Mexico											●	●	●														
Nicaragua																											
Panama											●		●														
Paraguay																											

	BM 0	BM 0	BM1.A CM remittances	BM1.C CM Bill Collection	BM 1.B CM G2P	BM 1.D Insurance Companies	BM 1.E CM Mobile Money	BM 1.F CM Bank or MFI for loan transactions	BM 1.G CM Banks and MFIs for account transactions	BM 1	BM2.A Offers domestic remittances on its own	BM2.B Offers international remittances on its own	BM 2	BM 3.A Partnership Insurance	BM3.B Partnership with Mobile Network Operator	BM 3.C Partnership Regional	BM 3.D CM for many, partnership with one bank	BM 3.E Partnership model with Bank (Brazil and Colombia)	BM 3.F Partnership model with a postbank partly or completely independent	BM 3	BM 4.A Unlicensed Postal Accounts	BM 4.B Unlicensed Postal Insurance	BM 4	BM5.A Microfinance License	BM5.B Limited Postal Bank License	BM5.C Universal Postal Bank License	BM 5
Peru											●	●	●														
Suriname			●	●	●	●		●	●	●																	
Uruguay			●	●	●					●	●		●														
Algeria			●	●	●					●	●	●	●								●		●				
Djibouti			●	●	●					●	●	●	●														
Lebanon			●	●	●			●	●	●																	
Morocco			●	●	●					●	●	●	●	●	●					●					●		●
Syrian Arab Republic				●	●	●				●	●	●	●														
Sudan																					●						
Tunisia			●	●	●					●					●					●	●		●	●			●
Yemen				●	●			●		●	●		●								●		●				
Bangladesh				●	●					●	●	●	●								●	●	●				
Bhutan			●		●					●	●		●														
India			●	●	●			●	●	●	●		●			●				●	●	●	●				
Nepal			●							●	●		●								●		●				
Pakistan	●	●	●	●	●					●		●	●								●	●	●				
Sri Lanka			●	●	●			●	●	●	●		●	●					●	●							
Angola						●				●	●	●	●														
Benin				●	●			●		●	●	●	●								●		●	●			●
Botswana			●	●	●	●	●		●	●									●	●							
Burkina Faso			●	●	●					●	●	●	●								●		●				
Burundi			●	●	●	●	●			●											●		●				
Cameroon				●	●	●		●		●		●	●								●		●				

	BM 0	BM 0	BM1.A CM remittances	BM1.C CM Bill Collection	BM 1.B CM G2P	BM 1.D Insurance Companies	BM 1.E CM Mobile Money	BM 1.F CM Bank or MFI for loan transactions	BM 1.G CM Banks and MFIs for account transactions	BM 1	BM2.A Offers domestic remittances on its own	BM2.B Offers international remittances on its own	BM 2	BM 3.A Partnership Insurance	BM3.B Partnership with Mobile Network Operator	BM 3.C Partnership Regional	BM 3.D CM for many, partnership with one bank	BM 3.E Partnership model with Bank (Brazil and Colombia)	BM 3.F Partnership model with a postbank partly or completely independent	BM 3	BM 4.A Unlicensed Postal Accounts	BM 4.B Unlicensed Postal Insurance	BM 4	BM5.A Microfinance License	BM5.B Limited Postal Bank License	BM5.C Universal Postal Bank License	BM 5
Cape Verde				●	●	●				●	●	●	●						●	●							
Central African Rep.											●		●														
Chad			●							●											●		●				
Comoros					●				●	●		●	●								●		●				
Congo			●							●	●		●														
Côte d'Ivoire			●							●		●	●														
Congo, Dem Rep																											
Ethiopia	●	●	●	●	●					●																	
Gabon			●							●		●	●									●	●			●	●
Ghana			●	●	●					●																	
Guinea			●							●																	
Kenya	●	●		●	●	●	●	●	●	●	●	●	●						●	●							
Lesotho				●	●			●		●	●	●	●						●	●							
Liberia																											
Madagascar			●				●			●											●		●				
Malawi	●	●		●						●	●		●														
Mali			●							●		●	●														
Mauritania											●	●	●								●		●				
Mauritius				●	●		●			●	●		●						●	●							
Mozambique	●	●		●	●		●			●	●	●	●								●		●				
Namibia				●	●					●	●	●	●	●				●		●	●		●				
Niger	●	●	●		●					●	●		●														
Nigeria	●	●	●	●			●			●																	
Rwanda			●							●	●		●								●		●				
Sao Tome and Principe			●							●																	
Senegal			●	●	●		●			●	●	●	●								●		●				

	BM 0	BM 0	BM1.A CM remittances	BM1.C CM Bill Collection	BM 1.B CM G2P	BM 1.D Insurance Companies	BM 1.E CM Mobile Money	BM 1.F CM Bank or MFI for loan transactions	BM 1.G CM Banks and MFIs for account transactions	BM 1	BM2.A Offers domestic remittances on its own	BM2.B Offers international remittances on its own	BM 2	BM 3.A Partnership Insurance	BM3.B Partnership with Mobile Network Operator	BM 3.C Partnership Regional	BM 3.D CM for many, partnership with one bank	BM 3.E Partnership model with Bank (Brazil and Colombia)	BM 3.F Partnership model with a postbank partly or completely independent	BM 3	BM 4.A Unlicensed Postal Accounts	BM 4.B Unlicensed Postal Insurance	BM 4	BM5.A Microfinance License	BM5.B Limited Postal Bank License	BM5.C Universal Postal Bank License	BM 5
Sierra Leone																					●						
Somalia					●					●																	
South Africa			●	●	●	●		●	●	●											●		●				
Swaziland			●	●		●				●		●	●														
Tanzania			●	●	●	●	●			●									●	●							
Togo			●	●	●		●	●		●	●		●								●		●	●			●
Uganda			●				●			●																	
Zambia			●	●	●					●																	
Zimbabwe				●	●	●	●		●	●	●		●														
Austria			●								●		●						●	●							
Australia			●	●	●	●		●	●	●	●		●														
Barbados				●	●					●	●	●	●														
Belgium			●	●						●	●		●						●								
Canada				●						●																	
Croatia			●	●				●	●	●				●			●		●	●							
Cyprus			●							●	●		●														
Czech Rep.			●			●		●	●	●																	
Estonia			●	●	●	●		●	●	●	●		●														
France			●	●	●					●	●		●	●						●						●	●
Germany			●	●	●	●				●																	
Great Britain			●	●	●			●	●	●				●			●			●							
Greece			●	●	●	●		●	●	●									●	●	●		●				
Hungary (Rep.)			●	●	●			●	●	●	●	●	●	●				●		●							
Iceland			●	●	●	●			●	●	●		●														
Ireland			●	●	●	●			●	●	●		●														

	BM 0	BM 0	BM1.A CM remittances	BM1.C CM Bill Collection	BM 1.B CM G2P	BM 1.D Insurance Companies	BM 1.E CM Mobile Money	BM 1.F CM Bank or MFI for loan transactions	BM 1.G CM Banks and MFIs for account transactions	BM 1	BM2.A Offers domestic remittances on its own	BM2.B Offers international remittances on its own	BM 2	BM 3.A Partnership Insurance	BM3.B Partnership with Mobile Network Operator	BM 3.C Partnership Regional	BM 3.D CM for many, partnership with one bank	BM 3.E Partnership model with Bank (Brazil and Colombia)	BM 3.F Partnership model with a postbank partly or completely independent	BM 3	BM 4.A Unlicensed Postal Accounts	BM 4.B Unlicensed Postal Insurance	BM 4	BM5.A Microfinance License	BM5.B Limited Postal Bank License	BM5.C Universal Postal Bank License	BM 5
Israel			●	●	●				●	●	●		●								●		●				
Italy			●		●					●	●		●		●					●	●	●	●				
Japan			●	●	●					●												●	●			●	●
Korea (Rep.)			●	●	●		●		●	●											●	●	●				
Latvia			●	●	●			●		●	●	●	●	●						●	●		●				
Luxembourg			●	●						●											●		●				
Malta				●	●					●	●	●	●														
Netherlands																											
New Caledonia			●	●		●				●	●		●				●			●						●	●
Poland				●		●		●	●	●	●	●	●														
Portugal			●	●	●	●			●	●	●		●														
Slovak Republic			●	●						●	●		●						●	●							
Slovenia			●	●	●		●	●	●	●																	
Spain			●	●		●		●	●	●																	
Switzerland				●	●	●		●		●	●	●	●								●		●				
Trinidad and Tobago			●							●																	
United States of America											●		●														
Total	8	8	86	90	80	36	22	32	30	116	77	49	88	10	3	1	3	10	16	34	33	8	34	3	2	7	12
Percentage	5.8	5.8	69.4	72.6	64.5	29.0	17.7	25.8	24.2	83.5	62.1	39.5	63.3	8.1	2.4	0.8	2.4	8.1	12.9	24.5	26.6	6.5	24.5	2.4	1.6	5.6	8.6

Mobile money: what role for the Post? Drawing lessons from Kenya

In no country in the world has mobile money caught on at a faster pace and revolutionized the entire financial services industry more than in Kenya. This has had a negative impact on the Post's domestic remittances product and, worse still, it may even begin to challenge the Postal Corporation of Kenya's hyper cash-merchant model, on which the postal diversification strategy is based. Since there are more than 100 mobile money deployments around the globe, with varying degrees of success, it seems important to extract lessons from the case of Kenya to understand the various potential roles for a postal operator in a mobile money scheme.

1. The Post as a catalyzer in an early mobile money deployment

A major role for the Post is to allow mobile network operators (MNOs) to reach a critical mass of agents in a quick and effective manner, at an early stage of mobile money deployment.

2. The Post as an additional cash merchant for mobile money, particularly for non-dominant MNOs

The Post offers trust, reliability and a wide, ubiquitous network which provides a supporting ecosystem. Therefore, even if the Post is not present at the beginning of a deployment, it can join the cohort of agents at a later stage of development to operate as a cash merchant

3. The Post as a super agent

From the Kenya case, we can derive a third role for the Post in the context of mobile money, which is that of a super agent for the mobile money operator. The conditions for this role are the existence of a solid cash management system, enough liquidity in the network, and the existence of appropriate cash-in-transit services (e.g. armoured vehicle services).

4. The Post as a multi-operator cash merchant

In countries where the Post does not want to work with only one mobile money operator, it can offer cash-in/cash-out services for several operators, thus becoming a physical switch for customers.

5. The Post as a switch among mobile money operators

Countries where Posts may have a larger pool of resources available for investment and strong in-house IT capabilities could develop their own switch. This would allow them to transfer money from one mobile wallet to another, playing a consolidator's role and thus becoming an unofficial mobile payment system.

6. Postal-led mobile money deployments

In all previous cases, the Post is considered as a secondary element in a mobile money deployment. The question then arises as to whether or not Posts can offer their own mobile money service: a postal-led mobile payment model.

In Bangladesh, the development of an electronic funds transfer system (EFTS) has made it possible to connect the rural post offices through the mobile network, thus allowing for speedy domestic remittances across Bangladesh Post's physical network. This is a first step taken by several Posts even in some of the world's poorest countries such as Mali.

While this first step seems to have been implemented in several places around the world, Posts offering P2P mobile wallets are more scarce. This is mostly due to the usual lack of disposable income to invest, but also to constraining legal and regulatory frameworks. In Tunisia, the Post signed a partnership in May 2012 with Tunisiana, a private operator, to offer mobile financial services which are housed at the Post.

The cases above demonstrate that tech-savvy Posts which offer their own postal financial services and are allowed by legislation to do so can consider teaming up with telecommunications companies to develop their postal-led mobile money scheme.

As a general conclusion about the role of Posts in mobile money, the Kenya case shows us that Posts offering financial services need to foresee and quickly adapt to changes in their competitive environments. If they fail to do so they might be crowded out by faster and more efficient services. For now, Kenya, along with the Philippines and potentially Pakistan, Tanzania and Uganda, is the only case of a mobile money environment truly revolutionizing the financial services market. But others will probably follow, and unless Posts have deep pockets, they must be ready to embark on cash-merchant partnerships with mobile network operators at an early stage if they are to remain competitive.

Source: Kenya case study, Alexandre Berthaud, UPU, 2011