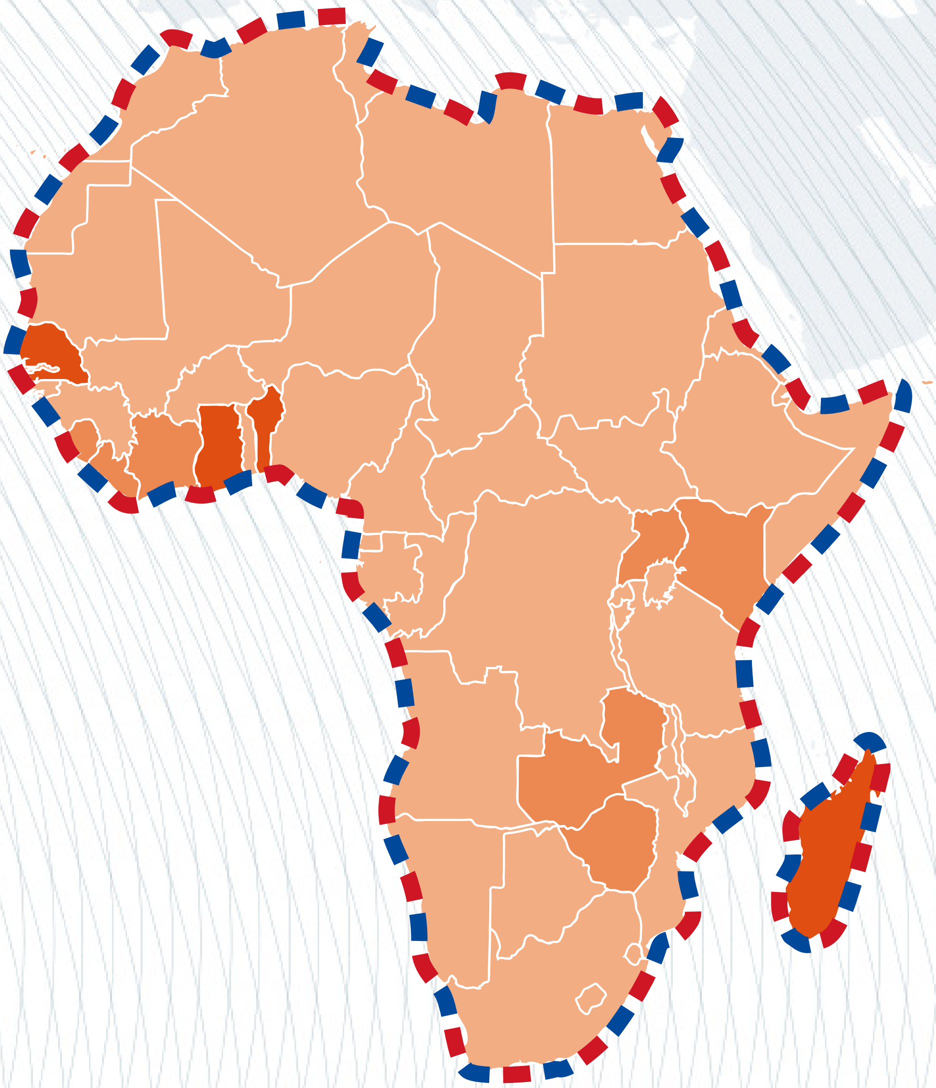
IFAD
Investing in rural people

The African Postal Financial Services Initiative

A success story on remittances at the post office in Africa








Implemented by:

IFAD
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In partnership with:

WORLD BANK GROUP

UPU UNIVERSAL POSTAL UNION

UNCDF
Unlocking Public and Private Finance for the Poor

WSBI

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Table of contents

Figures

Tables

Abbreviations

AAAA	Addis Ababa Action Agenda of the Third International Conference on Financing for Development
APFSI	African Postal Financial Services Initiative
CAGR	compound annual growth rate
EU	European Union
FFR	Financing Facility for Remittances
GPFI	Global Partnership for Financial Inclusion
ICT	information and communication technology
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IOM	International Organization for Migration
IT	information technology
MM4P	Mobile Money for the Poor
MSMEs	Micro, small and medium enterprises
MTO	money transfer operator
NPO	national postal operator
NPV	net present value
PAPU	Pan African Postal Union
SDG	Sustainable Development Goal
TA	technical assistance
ToT	training of trainers
WAEMU	West African Economic and Monetary Union
UN	United Nations
UNCDF	United Nations Capital Development Fund
UPU	Universal Postal Union
WSBI	World Savings and Retail Banking Institute

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APFSI 11 countries of intervention

Foreword

For over a decade, IFAD has been highlighting the crucial importance that remittances play in developing countries and has been working extensively on a national, regional and global scale to enhance their development impact. These recurrent small amounts of private funds have a tremendous impact in the daily lives and needs of more than 800 million people in the developing world.

At the core of its approach over the last years, IFAD and its partners have tested, validated and scaled models of intervention aimed at maximizing the impact of remittances and accelerating their potential for financial inclusion for millions of remittance families in developing countries, supporting them in reaching their own sustainable development goals.

In this respect, in 2013, together with the European Commission, IFAD partnered with the United Nations Capital Development Fund, the Universal Postal Union, the World Savings and Retail Banking Institute, the World Bank and other key actors in order to address the full potential of postal networks in Africa in facilitating the transfer of remittances, reducing their cost, and increasing financial inclusion in rural areas.

Sub-Saharan Africa remains the most expensive region in the world to send money home. In 2017, the average cost was 9.3 per cent of the amount sent. Moreover, rural families face a specific set of challenges in collecting the remittances sent by their relatives abroad. These include significantly higher "hidden costs" resulting from time spent travelling to a financial institution, transport cost and potential dangers associated with the journey. Rural remittance recipients are often reliant on a single – more expensive – remittance service provider and have access to a limited set of financial services.

However, in an increasing number of African countries, post offices are proving to be able to deliver remittance services at an average cost of 5 per cent or less. The presence of post offices in rural areas is strong and their historic footprint adds value and helps build trust, which is a crucial element in the provision of rural financial services. Indeed, the proximity of postal networks and the ability of some of them to provide a full range of financial services linked to remittances represented, until the launch of the African Postal Financial Services Initiative (APFSI), a major untapped opportunity.

After five years of operation, the APFSI programme demonstrated and proved that postal networks can leverage on their existing infrastructure and payment systems to extend the financial ecosystem in rural areas, providing low-cost, basic and transaction-based services to small farmers and poor households, through appropriate partnerships with the private sector.

Through APFSI, national postal operators in Africa were provided with technical assistance. Post offices were equipped with a modernized network, which led to an expanded portfolio of remittance services and an enlarged range of basic financial services to the benefit of the population in the rural areas. As a result, many more products and services are now being provided by the post offices in the targeted countries, while now other African postal operators are taking steps to replicate and adapt the APFSI approach to their reality in order to offer a full range of products and services linked to remittances.

The digital world in Africa is evolving relentlessly and faster than in most other parts of the world. This leaves the African postal operators with only one option: to be proactive, ready and open to new partnerships. Only in this way will postal operators be able to expand the remittance business in the post offices and achieve the common goal of enabling rural people towards financial independence.

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The African Postal Financial Services Initiative

The African Postal Financial Services Initiative (APFSI) was a unique broad-based partnership led by IFAD's Financing Facility for Remittances (FFR), and bringing together the World Bank, the Universal Postal Union (UPU), the World Savings and Retail Banking Institute (WSBI) and the United Nations Capital Development Fund (UNCDF), and was cofinanced by the European Union (EU). The joint goal of this regional programme was to enhance competition in the African remittance marketplace through supporting and enabling African post offices in offering financial services. More specifically, it aimed at promoting a cheaper, faster, more convenient and more client-friendly transfer of remittances, particularly to rural areas, while fostering dialogue among stakeholders, regulators and policymakers.

APFSI rolled out a large technical assistance programme involving private-sector stakeholders, regulators and policymakers in four countries: Benin, Ghana, Madagascar and Senegal. This programme supported the national postal operators (NPOs) to enhance their impact in the remittance market, with the ultimate objective of increasing access to finance for rural populations through post offices.

Coordinated efforts among all of the programme's partner international organizations and the national postal operators (NPOs) of the four countries resulted in the provision of extensive technical assistance on a broad range of components. These included assessment of legislative and regulatory frameworks, assistance for financial-sector compliance, development of effective business and financial management plans and marketing strategies, and the provision of equipment, among others.

On the basis of the results obtained in the four selected countries, and following an in-depth analysis of the situation in seven additional countries, APFSI – in coordination with these four countries' NPOs – developed medium-term road maps designed to be used as guides for modernization of the existing postal networks and for broadening of their range of remittances and financial services.

1 Introduction

It is estimated that over 35 million migrants from Africa have left their countries of origin in search of better opportunities and to send money to their families back home. These remittances amounted to over US$60 billion in 2016, representing 36 per cent growth over the past decade.[1] While the cost of sending remittances to and within Africa has slightly fallen over the years, the transaction costs to and within Africa still remain higher than the global average. Indeed, the average cost of sending remittances to and within sub-Saharan Africa is currently 9.42 per cent, the highest in the world.[2] In terms of impact, remittances reach more than 200 million people in Africa, more than 40 per cent of whom live in rural areas.[3]

In recent years, the reduction of remittance costs and maximization of their development impact have become top priorities on the international agenda. The Sustainable Development Goals (SDGs) set ambitious targets related to migrant remittances (in Target 10c): "By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent." The Addis Ababa Action Agenda (AAAA) for Financing for Development commits to taking advantage of new technologies and promoting financial literacy and inclusion through remittances. European and African heads of state and governments reiterated these commitments in the Joint Valletta Action Plan (JVAP), with the aim of exploring, identifying and promoting innovative financial instruments to channel remittances for development purposes and increasing the volume of transfers through formal channels.

In more than 80 per cent of African states, a total of 26,000 post offices or postal agents are involved in the delivery of remittances and provision of other financial services. In countries where national postal operators (NPOs) offer remittance services, postal networks enjoy a market share of around 10 per cent, and in some cases even up to 20 per cent.[4] However, the majority of them lack specific and efficient strategies able to scale or significantly benefit from the remittance market as a means of increasing business opportunities and benefiting their own clients.

1 *Sending Money Home: Contributing to the SDGs, one family at a time*, 2017, IFAD.

2 Remittance Prices Worldwide, Issue 23, September 2017, World Bank.

3 *The use of remittances and financial inclusion*, 2015, IFAD/World Bank for the G20 Global Partnership for Financial Inclusion (GPFI).

4 *Remittances at the post office in Africa: Serving the financial needs of migrants and their families in rural areas*, 2016, IFAD.

To realize this potential, post offices require more effective business models, improved digital technology and the expertise to process real-time payments such as remittances in an efficient and safe manner. The African Postal Financial Services Initiative (APFSI) was created as a concrete joint response to these challenges, while deriving leveraging from the potential and rural presence of the networks of African NPOs.

Financed by the European Union and led by IFAD, this multi-stakeholder initiative included several key partners with extensive relevant technical expertise: the World Bank, the Universal Postal Union, the World Savings and Retail Banking Institute, and the United Nations Capital Development Fund. Activities were implemented in close cooperation with La Poste du Bénin, Ghana Post, Paositra Malagasy and La Poste du Sénégal for the integration and processing of remittances and other financial services.

Following a thorough preliminary assessment of the existing situation of all African postal operators, it was decided, in close coordination with the respective NPOs, to intervene in Benin, Ghana, Madagascar and Senegal. Subsequently the programme started with an initial market analysis and assessment of the legal, institutional and regulatory frameworks in the four selected countries, followed by the development of new strategies in the following areas: commercial management; business planning and marketing; financial management; human capital development; business process redesign with new technologies; and post office restyling. Based on the initial results of the extensive technical assistance, APFSI engaged with postal stakeholders in additional NPOs in seven countries – Côte d'Ivoire, Kenya, Liberia, Sierra Leone, Uganda, Zambia and Zimbabwe – which received technical support through the preparation of medium-term road maps to open the way to opportunities in remittance business model integration. This support allowed for the exchange of good practices and provided assistance in the mobilization of potential resources to improve their capacity with regard to remittances and financial inclusion.

The report presents an overview of the results achieved by APFSI as related to its specific objectives in:

- reducing the cost of remittances to and within Africa;
- reducing transaction times for remittances to and within Africa;
- broadening the network of rural locations where remittances can be picked up; and
- deepening the range of financial services provided in rural areas.

2 Results achieved: Highlights

APFSI was implemented with a programme approach, combining key global players with specific expertise and competences in financial services and development under a single "umbrella". Through the initiative, partners worked directly with NPOs, their regulators and local service providers, creating new partnership models and identifying and expanding opportunities through technical assistance, research, and regulatory and policy advocacy.

Capacity-building was very successful in positively contributing to meeting the prerequisites for long-term sustainability in the four selected countries. Through full engagement of the NPOs and integration of the APFSI methodology into corporate strategies, the programme obtained promising results. In particular, the initiative was successful in reducing remittance costs and increasing flows through postal networks, increasing financial inclusion for the rural poor, and supporting partnerships and institutional reforms, thus adding to the sustainability of the processes and to an improved enabling environment in the countries of intervention.

During its implementation, APFSI showcased promising results and it quickly became evident that other NPOs in Africa could benefit from its finding and approach. The concept of leveraging postal networks to deliver remittances and for financial inclusion provided a strong and economically sound rationale for pushing the priority of post office reforms in Africa in general, and in the four countries in particular.

Furthermore, at the global level the initiative contributed extensively to a renewed interest in postal networks and an increased recognition of the value of post offices for the provision of cheaper remittances, as well as for achieving the global commitment to universal financial inclusion, especially in the most remote rural areas.

The following table highlights the main qualitative and quantitative results on:

- reduction of costs and time for sending remittances;
- increase in remittance flows through post offices and competition in the market;
- better access to remittances in rural areas;
- increase financial inclusion through remittances.

APFSI specific objectives	Qualitative and quantitative results
Reduction of cost and times for sending remittances	Reduction in average cost to 4 per cent and below for sending remittances delivered via post offices in Benin, Ghana and Senegal, and close to 5 per cent in Madagascar.
	Reduction by 42 per cent in the cost of sending remittances via post offices in the four pilot countries.
	An increase of US$35 million in money in the hands of the migrant families between 2014 and 2016 as a result of the cost reduction.
Increase in remittance flows through post offices and greater competition in the market	A 60 per cent increase (equivalent to US$232 million) in remittances delivered via post offices in Benin, Ghana, Madagascar and Senegal (from US$383 million in 2014 to US$615 million in 2016).
	Increased competitiveness: the market share of the four postal operators in delivery of remittances went up from 8.8 per cent to 13.4 per cent in a US$4.6 billion market.
	Post office restyling and new marketing strategies were effective in attracting new customers. Within three months of restyling, transaction volumes went up in the refurbished post offices by around 15 per cent and the flow of money increased by 82 per cent, mainly because more remittance recipients started making use of the post offices.
Better access to remittances in rural areas	Access to financial services in rural areas improved, through the digital upgrading of around 260 post offices with computer technology and connectivity.
	Improved proximity of post offices to remittance recipients. For 63 per cent of remittance recipients, the post office is within walking distance; out of it, for 42 per cent it is within 10 minutes' walking distance.
	The number of rural access points of formal financial services went up from 2.3 to 2.8 per 100,000 adults in the four countries. Post offices represent 70 per cent of these rural access points.
Increased financial inclusion through remittances	Rural financial inclusion increased – with a modernized network offering greater access, an expanded portfolio of remittance services, and an extensive range of basic financial services. More than 15 contracts between NPOs and money transfer operators (MTOs) were revised or renegotiated, close to 10 new contracts finalized for remittance delivery, and close to 10 bilateral contracts concluded with other NPOs for new corridors for the exchange of postal money orders, thus broadening the competitive coverage of the corridors.
	At least 100,000 previously unbanked adults opened accounts for financial services via the post offices in the four countries.

In addition, the initiative also sought to improve efficiency and sustainability of NPOs in providing financial services, and stimulate the awareness and policy dialogue on the relevance and potential of postal operators for rural development.

Efficiency and sustainability	APFSI's approach to business development, financial and cash management, communications and marketing integrated in corporate strategies of NPOs. The four NPOs have adapted the APFSI approach internally and continue with restyling of their post offices, along with upgrading of IT equipment, organizing broadband connectivity and expanding the range of products and services offered.
	More than 160 postal managers and trainers trained in the four NPOs, enabling them to further extend their knowledge and skills to postal staff for the provision, management and delivery of financial services via post offices.
	Increased revenues for the four NPOs, further stimulating investment in improving the remittance services provided via post offices.
Policy dialogue, replication and scaling up	A significant variety of knowledge products produced for the use of other NPOs interested in delivering remittances, and to enhance awareness on the potential of postal networks for rural development. These products include a baseline survey on the client perspective, an overall assessment of the role and potential of African postal operators in the remittance market, various working papers, market research methodologies, branding and corporate identity guides, business planning, business modelling, financial planning, and cash and liquidity management.
	Seven additional NPOs supported in strategy development and resource mobilization activities, through the medium-term road maps on "Expanding the role of postal networks in delivery of remittances and access to financial inclusion in rural Africa", prepared in close collaboration with each postal operator.
	Increased awareness for more than a thousand senior policymakers, officials of development institutions, postal, banking, remittance and FinTech executives, financial regulators (central banks), communications regulators and development finance institutions in more than 30 other African countries on the potential of postal networks in financial inclusion and best practices in development.
	Active coordination with other donor-funded programmes supporting postal networks.

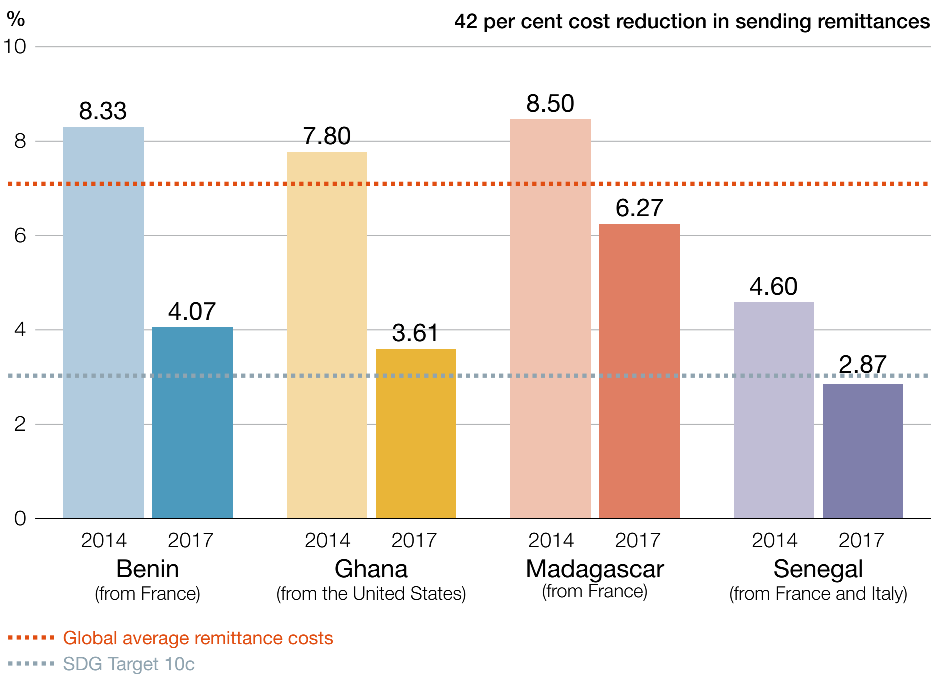
Reduction of cost and times for sending remittances

Reduction of cost for sending remittances

One of the key objectives of APFSI was to contribute to reducing the cost and times for sending remittances to migrant workers' families in rural Africa. Through its activities, APFSI progressed successfully towards the SDG Target 10c, aimed at reducing transaction costs to less than 3 per cent for migrants' remittances and eliminating remittance corridors with costs higher than 5 per cent by 2030.

- In three of the four countries, the average cost of remittances via post offices dropped to 4 per cent and below (in Senegal it is now below 3 per cent). In Madagascar, the trend is to move downwards towards 5 per cent.
- In absolute terms, the cost of sending money to the four countries delivered via post offices declined sharply, with a 42 per cent decrease in their main active corridors.

Figure 1 **Reduction in remittance costs through postal operators**



The data in the figure refer to the remittances paid out in cash at post offices in Benin, Ghana, Madagascar and Senegal, sent from the corridors with the highest volume of flows. This includes remittances sent via agents of MTOs, digital channels (mobile, card and the Internet), bank accounts, and post offices at the first mile. Within these corridors, the cost of sending remittances sharply decreased where the post offices face strong competition.

The cost of sending remittances to Madagascar from post offices in France or from French Postbank accounts is now less than 5 per cent. For sending money from French post offices to post offices in Madagascar, the lowest rate is now 4 per cent. These results are creating modest competitive pressure on other MTOs.

The cost of remittances is currently also very low in several other corridors, such as between the West African Economic and Monetary Union (WAEMU) member states, which use the West African CFA franc (CFAF)[5]. The cost of sending remittances from several countries of the European Union – especially those where financial institutions or MTOs operate in partnership with the post offices – is also relatively low. The same applies to the FinTech MTOs that send money digitally to be paid in cash at the post offices.

However, some corridors continue to experience high costs. For example, the cost for sending money from Nigeria to Benin and Ghana remains very high – close to 20 per cent. It should be noted that this is related to barriers at the sending end, such as very high margins on the currency exchange, or high cost due to required compliance and settlement costs. In view of these constraints and high costs, there is a substantial flow of unrecorded remittances transported in cash across the borders of Benin. A similar situation occurs for the South Africa-Madagascar corridor, where costs are above 16 per cent.

- The average cost of remittances delivered through the post offices in the four countries is 37 per cent lower than the market average.

As indicated in figure 1, the cost of remittances delivered through the post offices in Ghana, Madagascar and Senegal is relatively low – considerably lower than the averages reported for the countries as a whole for all channels, MTOs, banks and agents. Table 1 shows the differences in the average cost of sending remittances from the main corridors and the average cost of the remittances delivered via the post offices. In 2014, remittances received via post offices in Ghana, Madagascar and Senegal were slightly less costly than the average cost of remittances in those corridors. At the beginning of 2017, the cost difference had increased to 37.6 per cent. This enabled post offices to position themselves among the price leaders and thus attract more customers.

5 For international postal money orders in CFAF, the fee for sending EUR 200 is only 1.7 per cent.

Table 1 **Trends in the cost of sending remittances to post offices as compared to market averages for the most relevant corridors[6]**

Year	Benin from France		Ghana from USA		Madagascar from France		Senegal from France and Italy	
	Market average %	Through the post office %	Market average[6] %	Through the post office %	Market average %	Through the post office %	Market average %	Through the post office %
2014	–	8.33	6.10	7.80	8.60	8.50	8.68	4.60
2017	–	4.07	6.16	3.61	8.81	6.27	5.47	2.87

An increase of US$35 million in money in the hands of the migrant families as a result of the cost reduction

Overall, the cost reduction resulted in more money in the hands of migrant workers' families. At the beginning of 2014, remitters paid US$20.14 million to send US$383 million via post offices (approximately 5.26 per cent). In the subsequent three years, this flow increased by 60 per cent to US$615 million, but fee levels decreased and currency exchange margins shrank. The result was that at the end of 2016, senders paid US$20.45 million to send US$615 million (approximately 3.33 per cent). If costs had remained stable at 2014 rates, recipients would have received US$12.77 million less in 2016. Calculated in retrospect, it is estimated that during the life of APFSI, remittance recipients cashed an amount of at least US$35 million more than if the 2014 prices had been maintained.

Table 2 **Cost to remittance senders**
(Millions of United States dollars)

	Benin	Ghana	Madagascar	Senegal	Total
2014 (Q1)	0.63	1.79	3.23	14.49	20.14
2017 (Q1)	0.41	2.27	4.08	13.69	20.45
2016 volume at 2014 prices	0.83	4.91	5.53	21.94	33.21
Benefit to migrants and families in 2016	**0.43**	**2.64**	**1.45**	**8.25**	**12.77**

6 No average market prices are reported by the World Bank for the France-Benin corridor. The remaining data on market average have been reported in the World Bank "Remittance Prices Worldwide" quarterly reports: 1st Quarter 2014 and 1st Quarter 2017.

Considering that the total cost of APFSI was US$6 million, from a development perspective this may be considered a very attractive return on investment. Assuming continuation of the progress achieved. The impact of APFSI for the 2017-2020 period is expected to lead to an increase of more than US$70 million in the hands of migrants' families.

Reduction in the time for sending and receiving remittances

The cost-reduction objective is closely tied to the objective of reduction in the time required to transfer/receive remittances. Remarkable improvements were achieved during the APFSI implementation period between 2014 and the beginning of 2017. In particular:

- Remittances delivered at the post offices are processed faster

As soon as the sender informs the recipient of the money transfer being made, the recipient may pick up the remittance at the post office. In this context, the transfer time is around 15 minutes; in exceptional cases, it can increase up to a few hours when the remittance information needs to pass through several data-processing systems, payment processors or communications networks.

International postal money orders are processed quickly in Benin, Madagascar and Senegal – in general within 15 minutes, and at most within the same working day. The above applies for post offices that have been digitally transformed, equipped with basic computer technology and with Internet connectivity. The number of such post offices was substantially increased during the APFSI programme, resulting in instant delivery of remittances to a larger proportion of the rural population than previously, or reducing delivery time to the minimum possible.[7]

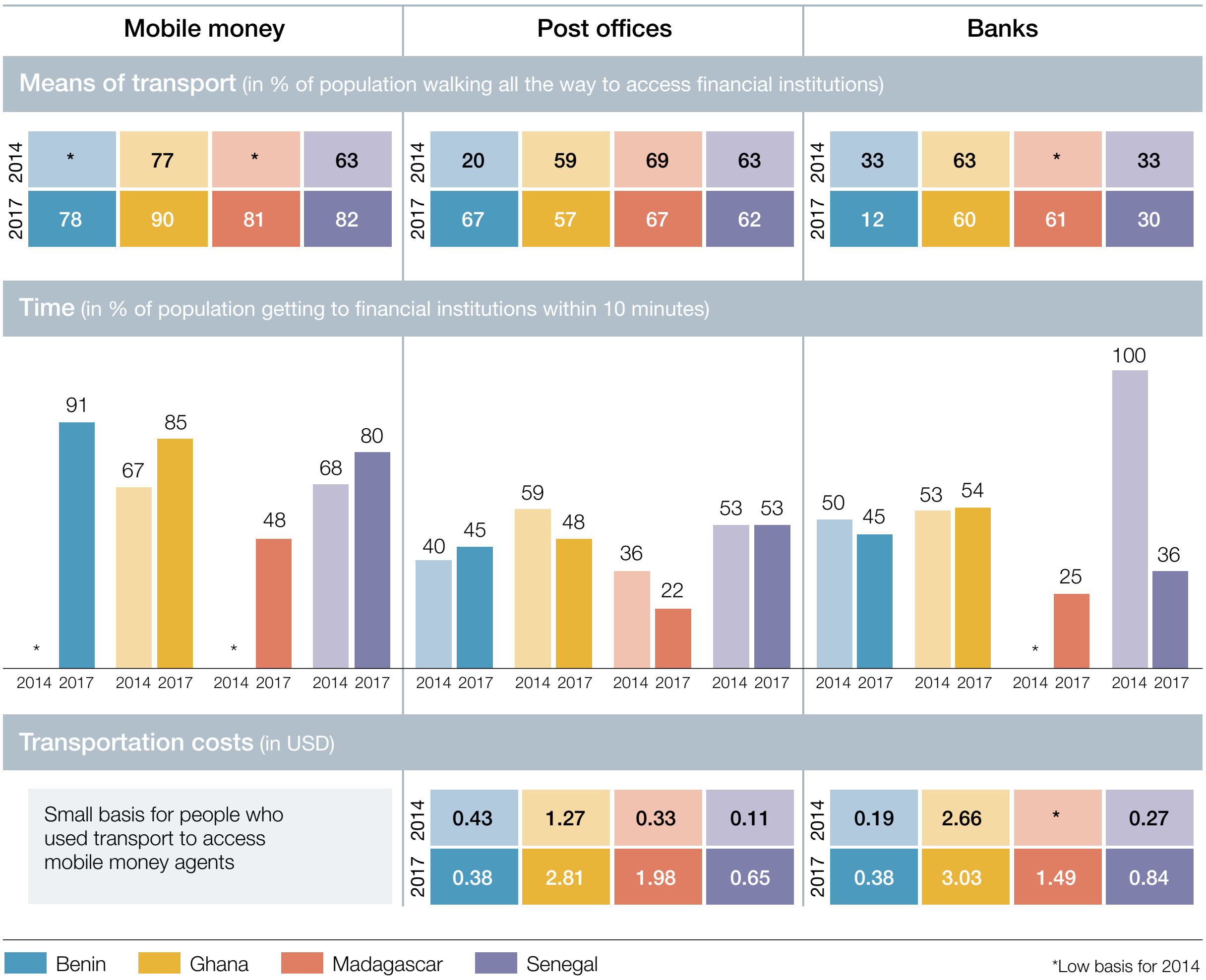
- For 42 per cent of its clients, the closest post office is less than 10 minutes' walking distance.

The time needed to pick up remittances is negligible, making the cost of travelling to the post office minimal. Proximity is a key factor for recipients deciding to pick up their money at the post office. According to the baseline study undertaken during project implementation, approximately **63 per cent of recipients walk to the post office to pick up their money.**[8] In the case of Benin and Madagascar, 67 per cent of recipients walk to the post office, while it is 62 per cent in Senegal and 57 per cent in Ghana.

7 During APFSI implementation, 260 post offices in Benin, Ghana, Madagascar and Senegal have been digitally transformed with the provision of basic IT equipment and connectivity.

8 *Baseline survey on the use of rural post offices for remittances in Africa*, 2015, IFAD.

Figure 2 **Time needed to pick up money at the closest payout location**



The same independent market research showed that in Senegal, 53 per cent of the post offices used for remittance pickup are within 10 minutes' walking distance, while for Ghana this is 48 per cent, for Benin 45 per cent and for Madagascar 22 per cent.

The market research also indicated that clients using transport to reach post offices to collect their remittances spent approximately US$0.38 per trip in Benin, US$0.65 in Senegal, US$2.81 in Ghana and US$1.98 in Madagascar. This means that **37 per cent of the recipients spend an average of US$1.45 on transportation to pick up their money**. These figures did not change significantly over the project implementation period. However, the number of post offices within walking distance has steadily increased.

In terms of proximity, post offices face strong competition from mobile money agents. Between 80 and 90 per cent of recipients live less than 10 minutes' walking distance from mobile money agents where they can withdraw the cash received through mobile networks. Madagascar reports that 48 per cent of recipients live or work within 10 minutes' walking distance from these agents. Even if they are not within 10 minutes' walking distance, in 81 per cent of the cases, the agents are still close enough for the recipient to walk to them. Hence, the cost of transport to pick up money from a mobile money agent is negligible.

The figures are significantly different for pickup of remittances at bank branches. In Benin and Senegal, 88 per cent and 70 per cent of remittance recipients use transport, at a cost of US$0.38 and US$0.84 per trip, respectively. In Ghana and Madagascar, approximately 40 per cent of recipients need to use transport to pick up the money, with costs of US$3.03 and US$1.49, respectively. Thus, the cost of delivery at bank branches is on average much higher.

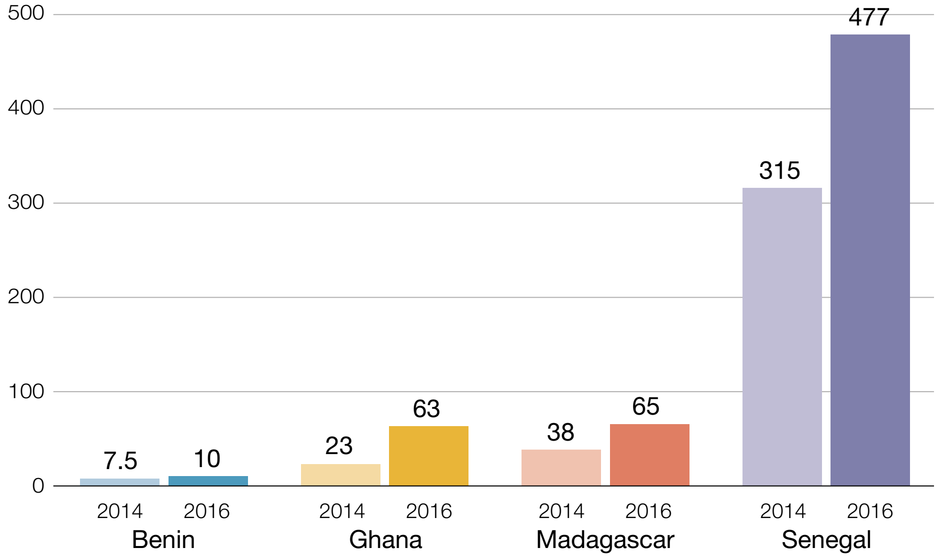
In the long run, the expansion of 260 post offices digitally transformed through APFSI is expected to further reduce the cost and time for remitting money.

Increase in remittance flows through post offices and greater competition in the market

- The flow of remittances delivered via the post offices in Benin, Ghana, Madagascar and Senegal increased by US$232 million over three years, rising 60 per cent.

In 2014, the total flow of remittances through the four NPOs was US$383 million. After three years of APFSI technical assistance, this amount reached US$615 million in 2016, corresponding to a 60 per cent growth. Ghana Post saw an increase to almost three times the flows recorded in 2014. Paositra Malagasy almost doubled the remittances received through its post offices.

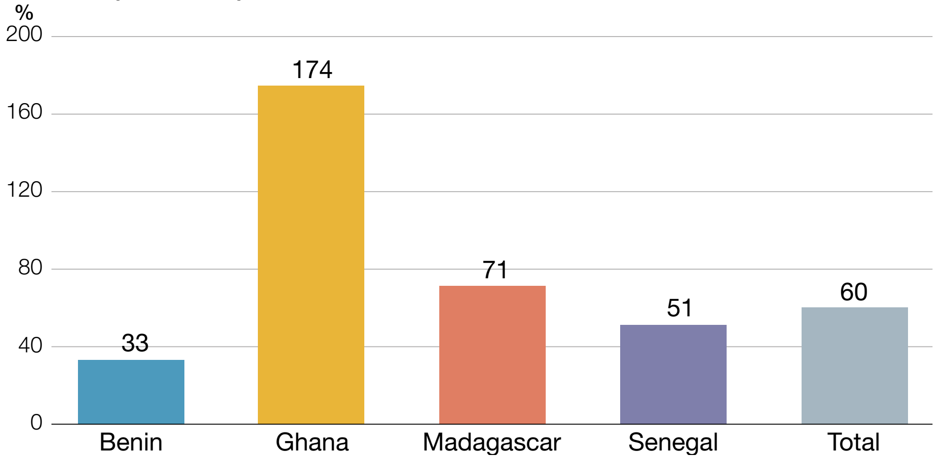
Figure 3 **Inbound remittance flows via post offices**
(Millions of United States dollars)



The relative growth rate of the NPO in Ghana is the most impressive at 174 per cent (a compound annual growth rate or CAGR[9] of 40 per cent), but all countries showed strong rates of growth. Paositra Malagasy increased from US$38 million in 2014 to US$65 million by the end of 2016. La Poste du Sénégal saw a sharp increase from US$315 million in 2014 to US$477 million in 2016. Despite increased competition in the relatively small market, La Poste du Bénin also managed to increase remittances delivered, from US$7.5 million in 2014 to more than US$10 million in 2016.

9 The compound annual growth rate is the mean, year-over-year growth rate of a business over a specified period of time.

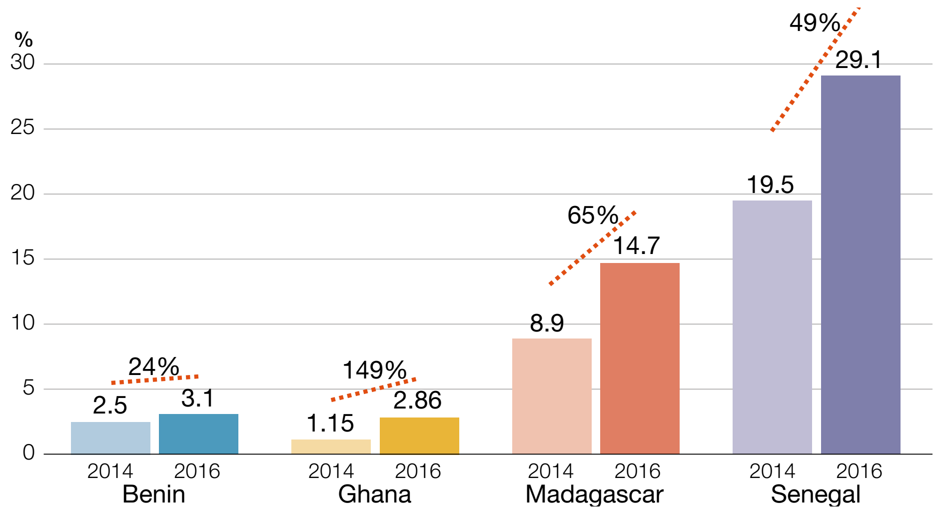
Figure 4 **Growth rate for remittances delivered via the post office, by NPO (2014-2016)**



- Market share held by post offices in the delivery of remittances increased from 8.8 per cent to 13.37 per cent, in a market worth US$4.6 billion.

Post offices significantly increased their competitiveness in the remittance market through lower costs of remittances, proximity to the client, more remittance products offered and improved financial services. From 2014 to 2016, their market share of remittance service went up from 8.8 per cent to 13.37 per cent, in a US$4.6 billion market. Market share per country differs widely, indicating that countries such as Benin, Ghana and Madagascar have a strong potential for continuing to increase their share when measured against the relative distribution strength of the postal network. La Poste du Bénin and Ghana Post are relatively new in managing and marketing remittance services through their networks. Paositra Malagasy's success rests on only two remittance products; offering more products would likely increase its market share. La Poste du Sénégal, with its 200 post offices, displays the true potential of the postal network in delivering money at the last mile.

Figure 5 **NPOs market share of national remittances (2014-2016)**



In line with the previous analysis of growth in flows of remittances delivered and gains in market share, competitiveness has also been increasing strongly, as shown in figure 5.

In the cases of Benin, Ghana and Senegal, the increased competitiveness can also be attributed to an increase in the range of remittance services provided at the post offices. In all cases, new players and services were added, thus spurring growth.

The case of Madagascar proved to be more challenging. Only one MTO provided its services, in a selected number of post offices and on the basis of a contract binding Paositra Malagasy to exclusivity. Post offices were excluded by the MTO from the delivery of remittances, and Paositra Malagasy was banned from entering into agreements with other MTOs, thus curtailing its competitiveness in rural or underserved areas. Eventually, towards the end of the APFSI programme, renegotiation of the contract resulted in a reduction in the interpretation and scope of the exclusivity clauses and thus in opening the postal network to the delivery of an increased range of remittance services. Negotiations reportedly advanced with several other MTOs, but the finalizing of contracts and launching of new services will take time. Thus, a major impact is likely to be seen in 2018.

A key element in increased competitiveness is not only the size of the network or its technological conditions, but also the image of the post offices. The baseline survey[10] undertaken in 2015 found that remittance recipients perceived post offices as obsolete institutions, associated with past generations – not as institutions providing a range of modern financial services.

During its implementation, APFSI assisted the four NPOs in rebranding and in piloting restyled post offices, showing a significant impact in a very short time. Within three months from the opening of the restyled post offices, the volume of transactions had increased significantly. A growing number of remittance recipients was attracted and felt comfortable picking up their money in the newly restyled post offices. This trend was reflected in a steep growth in the value of transactions (see figures 7 and 8) and number of new accounts opened at the post office

The full restyling of the post offices (two per country) was completed between the last quarter of 2016 and the first months of 2017. Preliminary data received from the NPOs within the three months following restyling showed that in the refurbished post offices, transaction volumes went up by approximately 15 per cent and the flow of money increased by 82 per cent, mainly due to the fact that more remittance recipients were attracted to the new friendly and comfortable locations and had started to use the post offices.[11]

10 *Baseline survey on the use of rural post offices for remittances in Africa*, 2015, IFAD.
11 *Completion survey on the use of rural post offices for remittances in Africa*, 2017, IFAD.

These results show that the postal networks have a relevant potential to increase competitiveness and reduce the cost of sending money. However they require investments so as to digitally transform, modernize and strengthen their marketing and financial management capacity.

The quick wins achieved in restyling have already induced the management of the NPOs in Benin, Madagascar and Senegal to continue restyling, in line with the available resources.

Figure 6 **Cumulative monthly transaction volumes in the eight restyled post offices in the four countries, pre- and post-refurbishment**

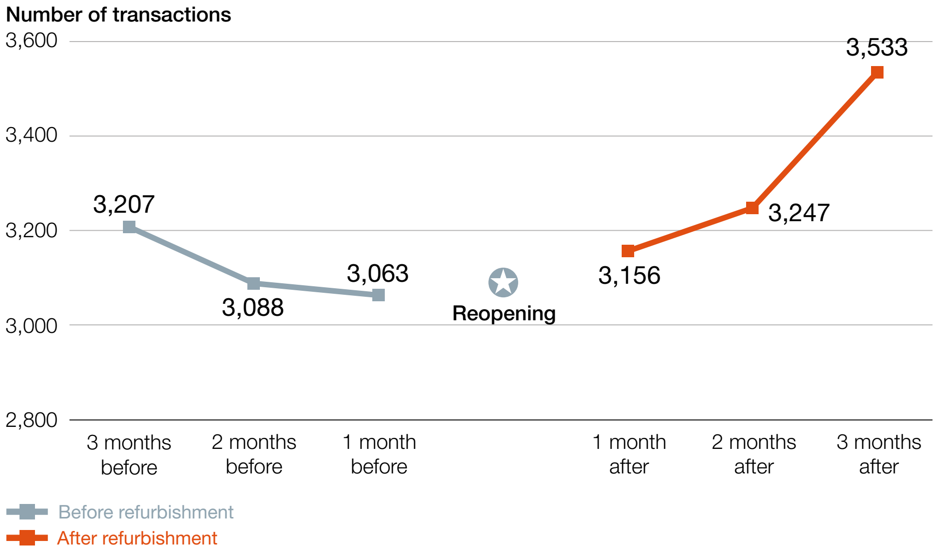
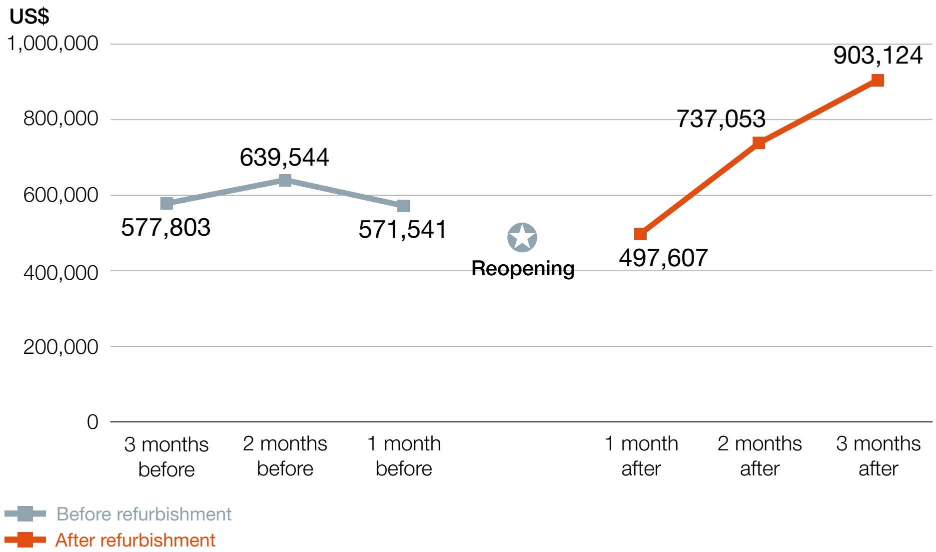


Figure 7 **Cumulative monthly transaction value in the eight restyled post offices in the four countries, pre- and post-refurbishment**



Photos of the refurbished post offices in Benin, Ghana, Madagascar and Senegal.

Better access to remittances in rural areas

- Access to financial services in rural areas improved through the digital upgrading of over 260 post offices in the four countries, with IT equipment and connectivity.

Physical infrastructure for access to formal financial services in Africa is still very limited and suffers from substantial gaps, especially in rural areas. The reason existing post offices are not always considered part of the financial access infrastructure (even those with a long tradition of providing basic financial services) can be found in their absence in meeting certain minimal technical conditions such as power supply, IT equipment and connectivity. In response to this challenge, and as part of APFSI, 260 post offices were digitally transformed. Basic IT equipment was installed and connectivity was implemented, meeting the standard requirements of financial regulators for payment agents. These upgrades contributed to expand the infrastructure providing access to formal financial services in the main rural areas of the four countries.

- The number of rural access points for formal financial services went up from 2.3 to 2.8 per 100,000 adults, 70 per cent of which are post offices.

In particular, during the project period (2014-2017), access to remittances via bank branches in rural areas increased only from 0.8 to 0.9 per 100,000 adults, whereas access via post offices in rural areas went up from 1.5 to 1.9 per 100,000 adults.[12]

In addition, in urban areas where post offices make up less than 20 per cent of access points, their digital transformation is a positive step towards financial inclusion.

In **Benin**, there were 26 different banks with 196 branches in total in 2014, for 3.22 branches per 100,000 adults (0.6 branches per 100,000 adults in the rural areas). These figures increased slightly in 2016, to 3.26 and 0.7, respectively. By the end of 2016, there were three times more post offices as part of a single, uniform network in rural Benin providing access to financial services. During the project period, the proportion of post offices equipped to provide access to digital or electronic financial services went up from 1.9 to 2.7 per 100,000 adults, and in rural Benin from 1.5 to 2.2.

12 Sources: IMF Financial Access Survey and data from national postal operators.

Table 3 **Access infrastructure: Number of access points per 100,000 adults in banks versus post offices in urban and rural areas**

		Whole country		Rural areas	
		2013	2016	2013	2016
Benin	26 banks/branches	3.22	3.26	0.6	0.7
	1 NPO post offices	1.9	2.7	1.5	2.2
Ghana	35 banks/branches	5.85	7.17	1.2	1.4
	1 NPO post offices	1.13	1.61	0.9	1.3
Madagascar	10 banks/branches	1.68	2.1	0.3	0.4
	1 NPO post offices	2.1	2.7	1.7	2.2
Senegal	20 banks/branches	4.6	4.6	0.9	0.9
	1 NPO post offices	2.5	2.5	2.0	2.0

In **Ghana**, the total number of bank branches nationwide is much higher than the number of post offices providing access to electronic financial services. However, outside Ghana's three largest cities, the ratio is 1.4 bank branches versus 1.3 post offices. This might justify a more active cooperation between the banks and Ghana Post to expand the infrastructure in rural Ghana swiftly and at relatively low cost.

In **Madagascar**, the situation resembles that of Benin. At the end of 2016, the ratio in rural areas was 1.0 bank branch per 100,000 adults versus 5.0 post offices enabled to provide electronic financial services. There remains a large part of the postal network that is not yet digitally transformed. Upgrading these other post offices could make a very significant contribution to improving rural financial inclusion.

In **Senegal**, the 20 banks operate more than twice the number of branches than La Poste du Sénégal operates post offices. About 80 per cent of these bank branches are located in the three largest urban areas of the country. In rural areas, there are 2.0 post offices per 100,000 inhabitants as compared to 0.9 bank branches.

Increased financial inclusion through remittances

Financial access is not only a matter of broadening or expanding the access infrastructure. It means deepening access by providing a broader range of services. Seen from this perspective, **postal operators use the growth in the remittance business as a stimulus to expand the role of post offices to progress towards financial inclusion**. The concept of a "remittance supermarket", represented in the scheme below, is well known by postal operators, as is the "one-stop shop" concept, linking remittances to access to a range of basic financial services, including basic transaction accounts.

Thanks to APFSI, a greater number of rural people receiving remittances saw in the postal office a revitalized, reliable and friendly environment to pick up the money sent by their relatives abroad, and approached the NPO to open new accounts. The APFSI endeavour corresponded with a substantial increase in the number of new accounts at the post office in the four countries, and allowed the NPOs to expand their financial services to more clients.

The provision of better services is also a direct result of broader and better partnerships. In particular more balanced relationship between NPOs and MTOs are necessary in order to eliminate exclusivity clauses, promote transparency and competitiveness, and further improve the access and provision of remittances at post offices. In this context APFSI successfully supported the NPOs in broadening their range of partners, and released a set of guidelines aimed at "Improving partnerships between Post and Money Transfer Operators for better Remittance Services to Rural Africa". The guidelines were widely distributed and used as background document during the consultations with the main MTOs, in order to promote a renewed approach between the parties which should account for their comparative advantage.

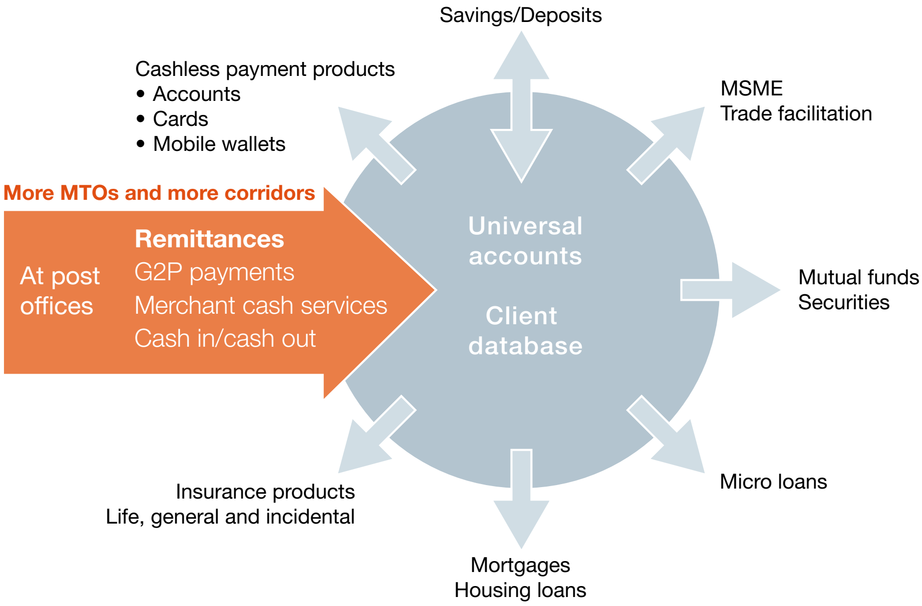
- More than 15 contracts between posts and MTOs were revised or renegotiated; close to 10 new contracts were concluded for remittance delivery; and close to 10 bilateral contracts were concluded with other NPOs for new corridors for the exchange of postal money orders, thus broadening the competitive corridor coverage.

During APFSI, rural financial inclusion in the four countries advanced, with a network that was modernized and with increased access, an expanded portfolio of remittance services and an enlarged range of basic financial services. Many more products and services, are now provided by the post offices in the four countries, and further steps are being taken by post offices to offer a full range of products and services. These products now range from remittances channelled through an increased number of MTOs, postal money orders (Postransfer™), electronic instant money transfers and mobile services to prepaid debit cards, general insurance policies and payment agency services such as for bills or social cash transfers. The majority of the new products and services are provided under agreements with business partners (involving, for example, agency and outsourcing agreements).

- Within the APFSI implementation period, at least 100,000 previously unbanked adults opened accounts for financial services via the post offices in the four countries.

The adoption of new financial services by the postal operators, the provision of new IT equipment and connectivity for over 260 post offices, and the refurbishing of eight post offices – plus the support received towards the development of new corporate strategies for marketing and communication – led to increased visibility of all of the products and services available at the post office and attracted new clients. During APFSI implementation, the four NPOs saw a clear increase in the number of new accounts. These include: (a) more than 45,000 savings accounts at the post offices in Madagascar; (b) approximately 25,000 PosteCash cards (a VISA Electron card connected to a mobile money wallet) in Senegal; (c) close to 10,000 other accounts at Postefinance in Senegal; and (d) more than 20,000 accounts for loans, insurance policies, e-savings accounts, and traditional savings and postal payment accounts at La Poste du Bénin and Postefinances in Benin. Since Ghana Post acts as a transaction agent for financial institutions, there are unfortunately no records of new accounts opened.

Figure 8 **The concept of "remittance supermarket"**



Efficiency and sustainability

The sustainability of the supported business models, as well as of the results achieved was of primary importance for the project. Within the scope and boundaries of APFSI, and that of the business of delivering remittances through post offices, the programme managed to achieve a relatively high degree of sustainability through: institutionalization of new business strategies; review of financial and cash management; communications and marketing development plans; human capital development training; and increased revenues allowing future investments and business continuity.

- The APFSI approach to business development, financial and cash management, business process re-engineering, and communications and marketing was integrated and institutionalized.

Through the technical assistance provided within the framework of the programme, the four NPOs have internally adapted the APFSI approach and are continuing with the restyling of their post offices, upgrading their IT equipment, organizing broadband connectivity, and expanding the range of products and services offered. Capacity-building in commercial management, business planning, business process re-engineering, financial management and marketing activities, together with the implementation of new technologies, resulted in ongoing improvement of corporate performance and competitive responsiveness to underserved remittance recipients, especially in rural areas. The programme approach developed through APFSI is now recognized as "best practice" for other NPOs interested in increasing their role in remittance delivery in rural Africa.

A greater number of contracts by the NPOs for the delivery of remittances – and in improved conditions – were signed with additional partners, contributing to the significant increase in money delivered, at lower cost, and to higher inflows.

The creation of guidelines for the restyling of post offices and a corporate identity guide for **rebranding were also part of an essential process of modernizing the image of the post offices as a delivery channel for remittances and financial services**. In view of the fact that the post office as such constitutes the most important asset in marketing and distributing the delivery of remittances and financial services, technical assistance was rendered in rebranding the four postal operators and, in particular, in restyling eight post offices, as well as in setting standards for all corporate, commercial and internal communications. The resulting increase in transactions and services was immediate, and **the positive results inspired the postal operators to expand their restyling activities in additional post offices**.

Outside APFSI additional post offices were restyled in Benin, Senegal and Madagascar. Further additional offices in Madagascar are planned to be restyled in 2018 with support from the UPU.

Financial management resulted in an improved cash management model and methodology for improved quality and speed in the delivery of remittances, and optimized relationships with banks involved in the supply of cash and the depositing of excess cash. As well, increased revenues from remittance delivery led to improved financial results and the availability of own sources for continuing improvements.

A major component in capacity-building involved **business process re-engineering and the implementation of new technologies**. The new concept was based on a few basic but critically relevant pillars to ensure that post offices could effectively deliver remittances in a timely manner and be equipped with sufficient cash to provide to recipients. To that end, the post offices needed to have a stable power supply, broadband connectivity, basic ICT equipment and security measures in place.

- More than 160 postal managers and trainers were trained in the four NPOs, enabling them to pass their knowledge and skills on to postal staff for the provision, management and delivery of financial services via post offices.

A significant part of APFSI's technical assistance towards capacity-building centred on the staff of the four NPOs, through a carefully designed programme in human capital development and training based on a training needs analysis. It involved senior management training, delivered in coordination with the Pan African Postal Union (PAPU), plus the training of trainers (ToT) for head office middle managers and branch managers in the four countries. Further technical training of staff in the post offices was delivered following the provision of equipment.

In total, 162 staff were trained under the ToT programme, enabling them to subsequently train other postal staff. Extensive sets of training materials (curricula, course books, tests, e-learning programmes and case studies) were developed in both French and English and remain available for future training events, which could even be replicated in other African countries. A "best practice" training material set, and inputs for knowledge management, were also developed and disseminated. Additional training in Senegal and Benin on mobile money operation management, marketing and agency network management was also provided and integrated within the framework of the UNCDF's Mobile Money for the Poor (MM4P) programme.

Increased revenues for the four NPOs

Implementation of the pilot projects in the four countries showed that remittance delivery via post offices at the last mile is not a highly remunerated component within the value chain of money transfers, even if it is the most costly part of this chain. The usual and traditional pattern for cash-to-cash remittances features a division of the fee paid by the sender, evenly shared between the agent or bank at the sending end, the MTO as the intermediary, and the agent at the disbursing end.[13]

This confirms two main findings:

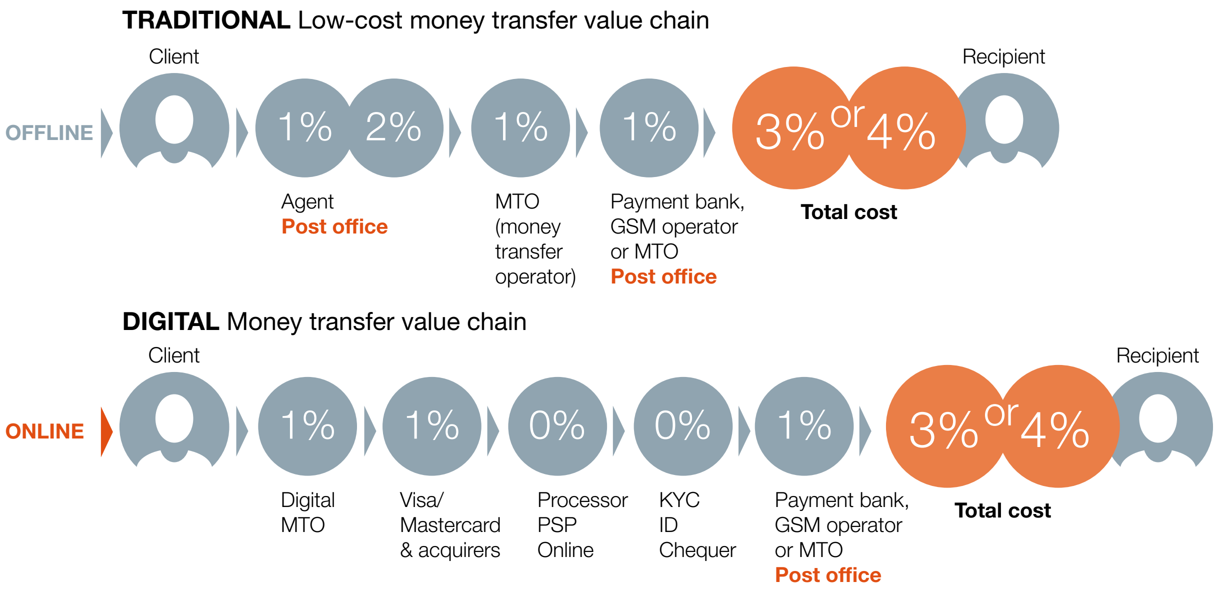
- The post offices at the last mile are well positioned to help achieve the target of reducing senders' fees to a maximum of 3 per cent.
- Where the senders' fee is more than 3 per cent, the MTO or its representative bank in the country contracting the NPO as its agent for last-mile delivery takes more than a fair slice of the senders' fee; this comes in addition to the currency exchange margin also taken by the bank(s) involved in the chain.

These gross revenues for last-mile delivery (of less than 1 per cent) are used by postal operators to transport the cash to rural post offices – in areas where banks are usually reluctant or hesitant to invest in financial access infrastructure – to keep the cash safe in the post office, to have post office staff trained to provide the service using modern IT equipment, for data communications, reporting and accounting, and to promote and advertise their remittance services. In addition, the banks charge a fee to the postal operators for the supply of cash to them and the deposit of excess cash from them related to the remittances. This implies that the largest part of their revenues is absorbed by operational costs and depreciation of IT equipment.

The findings indicate that the four NPOs received an estimated aggregate indicative net present value (NPV) of US$4 million more in gross revenues between 2014 and 2016. This is a considerable portion of revenues for the four Posts, estimated at more than 5 per cent. It points to increased productive usage of existing public assets. It also helps create a basis for sustainability and business continuity. The impact of the increased business for the period from 2017 to 2020 is expected to generate an NPV of as much as US$5 million, which would further stimulate continued investment in improving the remittance services rendered through post offices. The resulting net earnings will provide incentives for postal operators to continue with development of their new integrated strategies, restyle additional post offices, equip post offices with IT and ensure connectivity, among other elements.

13 For example, on average when the sender pays 5 per cent, the post office at the last mile would receive 1.67 per cent of the amount sent – or in the case of a 3 per cent fee, only 1 per cent. Data reported during the pilot programmes showed that the postal operators received on average less than 1 per cent – often 0.95 per cent or 0.91 per cent.

Figure 9 **The value chain for money transfer**



Indicative 1 per cent of revenue share for the post offices at the last mile.

In the course of APFSI, satisfactory progress was achieved in implementation of the pilot projects in all four countries, adding to the net earnings of the postal operators. However, they faced increasing losses in their declining mail operations, thus causing a drain on the margins earned on financial services and limiting their own resources to invest in further advancing financial inclusion and competitiveness.

In Madagascar and Senegal, the impact of these losses and risk on the debt position of the governments caused concern with the International Monetary Fund (IMF) in 2016 and 2017. An understanding was reached between the respective governments and the IMF on steps to restrain financial drain and risk for taxpayers. In the case of Ghana, the incremental cost of the postal business prompted the government to intervene through a change in management in March 2017, establishing a mandate to improve the company's financial performance in 2018. In Benin, management continues to face challenges from the declining demand for universal postal services, for which it requires support in applying an objective methodology to calculate cost.

Capacity-building through APFSI made a valuable contribution to overcoming these challenges. In order to complete the transformation, however, longer and more comprehensive programmes are needed.

Key elements in building the institutional sustainability of postal operators in a liberalized and competitive market would include:

- arm's-length governance on the part of postal sector policymakers and regulators;
- management selected on the basis of professional qualification and accountable for achieving agreed results, including financial and market performance;
- separate accounts for the Universal Postal Service Obligation (see text in the box), funding of its cost from postal tariffs or allocation of public funds, and termination of cross-subsidies between universal postal services and financial services, via post offices targeted to achievement of universal financial access in 2020;
- financial services provided at post offices operated in compliance with the applicable financial sector regulations; and
- financial statements of the incorporated postal operators in accordance with International Financial Reporting Standards (IFRS) and subject to independent external audit.

Looking inside the P.O. Box: The real cost of the Universal Postal Service Obligation

This Obligation (UPSO) is a legal requirement for the National Postal Operator that sets specific minimum levels of postal service, serving substantially all natural and legal persons in a sovereign territory. The Obligation usually defines the geographic scope of services, the range of products, access facilities (post offices and letter boxes), delivery services and their frequency, level and structure of the tariffs, quality of service and user protection. The obligation is built upon historical principles that the postal services are for everybody, available everywhere, accessible and affordable. It typically means a single, uniform tariff for sending a letter and having it delivered within a certain time period. From the traditional perspective of affordability of the services for the common person, the uniform tariffs are set at a low level, far below the actual delivery cost of a letter in rural Africa. The postal rates are however relatively high when compared to the tariffs for sending a text message or email. Usage of traditional postal services has already suffered marginalization and continues to decline due to technological substitution.

The legal or regulatory framework is often lenient in defining the methodology to calculate the losses incurred for the UPSO and the instruments to finance the cost. Frequently the NPO is required to operate on a break-even, self-financing basis. Many African postal operators survive by using the net earnings from financial services to cover the losses caused by the postal services. In some cases, clients' funds entrusted to the NPO are used to help to finance its operations.

This explains the drive on the part of NPOs to swiftly diversify and digitize. Separate accounting and transparent financing are required under both EU postal directives and IFRS accounting standards, for example, and they would constitute a sound practice for African NPOs.

Policy dialogue, replication and scaling up

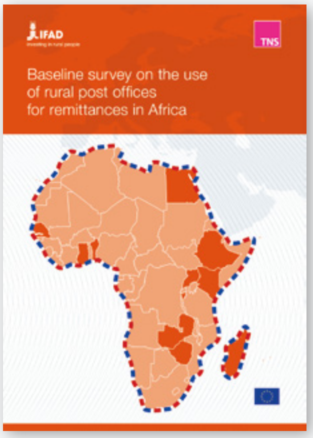
APFSI's approaches, results and lessons learned were key to support policy dialogue both at national and international level, and were broadly disseminated among African NPOs.

- A significant variety of knowledge products was produced in order to enable other NPOs interested in delivering remittances and enhance awareness of the potential of postal networks for rural development.

These products include, among others, a baseline survey on the client perspective, an overall assessment of the role and potential of African postal operators in the remittance market, working papers, market research methodologies, branding and corporate identity guides, business planning, business modelling, financial planning, and cash and liquidity management. As well, a set of "Recommendations to improve partnerships between Posts and Money Transfer Operators (MTOs) for offering better remittance services to rural Africa" was developed and used as an instrument for negotiation with MTOs, revising existing contracts or setting up new contracts.

Baseline survey on the use of rural post offices for remittances in Africa

Based on approximately 5,000 face-to-face interviews in 11 countries, the survey presents a unique insight into the demand side of remittances and the current and potential role of rural post offices. To measure the initial impact of the assistance undertaken in the four pilot countries, a second research effort was undertaken in 2017 measuring the changes in comparison to the baseline. It was the first time such an in-depth and wide-ranging independent market and opinion survey had been undertaken specifically on awareness and use of post offices for financial services.



Remittances at the post office in Africa: Serving the financial needs of migrants and their families in rural areas

This report is an overall assessment of the role and potential of African postal operators in the remittance market. It focuses on African national postal operators as distribution channels for providing access to remittances and financial services. It examines the role post offices play in Africa's remittance market and ways to make these existing, publicly owned assets more competitive and inclusive.

Working papers

- Building balanced partnerships between posts and banks
- Crafting a strategy for delivering more at the last mile
- Creating a customer-centric approach in the postal organization

- Seven additional NPOs were supported in strategy development and resource mobilization activities, through medium-term roadmaps on "Expanding the role of the postal network in delivering remittances and financial inclusion", prepared in close collaboration with each postal operator.

These became powerful instruments in the hands of postal institutions for the purposes of resource mobilization and seeking support, assistance and/or partners for the concrete realization of their components.

- Increased awareness for more than a thousand senior policymakers, officials of development institutions, postal, banking, remittance and FinTech executives, financial regulators (central banks), communication regulators and development finance institutions.

Active dissemination and advocacy were carried out across more than 30 other African countries, on the potential of postal networks in the remittance market, on financial inclusion and on best practices in development. This was possible mainly through the organizing of two international conferences, six national and regional round tables, and broad and continuous dissemination of the programme's results at international conferences and forums, creating considerable interest around the APFSI approach and a willingness to collaborate and exchange knowledge and good practices. South-South cooperation was indeed one of the key aspects of the initiative, carried out through dissemination events, joint training courses and synergies between postal networks.

- Active coordination pursued with other donor-funded programmes supporting postal networks

The implementation of APFSI and its technical assistance to postal operators for pilot projects in four countries created a fertile ground for replication of best practices throughout the African continent. Insights gained during the provision of technical assistance also helped define subsequent steps in support of the structural reforms needed by postal operators.

African conferences on remittances and postal networks

The two conferences were instrumental in bringing stakeholders from the public and private sectors together to exchange experience, insights and knowledge and to promote cooperation. The conferences were highly successful. Both saw the participation of more than 100 senior representatives from executive management of African postal operators/postbanks and their stakeholders, Ministries of ICT, Posts and Telecommunications, Ministries of Finance, central banks and communications regulators, MTOs, commercial banks, FinTechs, research institutes and development banks. The conferences further enabled dialogue between financial and communications regulators. As a result of these conferences, a significant number of new remittance contracts was (and is still being) signed between postal operators and MTOs.

The first African conference (Cape Town, 2015)

The second African conference (Abidjan, 2016)

Six national and regional round tables

Meetings were held in various countries with local stakeholders, with a total of over 100 participants. They aimed at more detailed discussion with national and regional stakeholders on the medium-term prospect for expanding the role of African postal networks in the delivery of remittances and access to financial services. The presence of international organizations active in the targeted countries and regions, as well as of the donor community, was instrumental for the dissemination of results and the creation of synergies.

Photo from one of the round tables.

Thus, APFSI – though its partnerships and ongoing networking – contributed to influencing many other programmes aimed at postal operators' development in the provision of financial services. These include:

- an IFAD project implemented by Postbank Uganda in partnership with Posta Uganda for delivery of last-mile remittances in rural Uganda and to refugee communities;
- World Bank support for financial services to various postal operators, including Paositra Malagasy, La Poste du Sénégal and Niger Post;
- training in mobile money management and agency network management provided by UNCDF in Benin and Senegal through the Mobile Money for the Poor (MM4P) programme;
- joint support by the UPU and the International Organization for Migration (IOM) to modernize and expand remittances and payments through the postal network in Burundi;
- technical assistance by the Dutch government to SalPost in Sierra Leone in launching a pilot project for remittances and financial literacy; and
- the Postal Sector Action Plan 2019-2023 of the African Union Commission, with a key component on financial services.

In addition, during APFSI implementation, many MTOs and FinTechs established new relationships with postal operators in sub-Saharan Africa.

3 Conclusions

APFSI constituted a unique partnership between IFAD, the World Bank, UPU, WSBI and UNCDF. The result of this collaboration has boosted the joint conviction on the importance of further leveraging the role of postal networks in expanding access to financial services.

The programme has addressed the most widely known issues linked to remittances in Africa, such as: (i) the absence of well-developed, competitive money transfer markets; (ii) limited access to financial services in rural areas; (iii) poor availability of savings and investment opportunities for migrants' families; and (iv) the lack of tangible commitments at the policy level on the part of national governments.

During its implementation period, APFSI highlighted both the great opportunities and the complex challenges in enhancing the role of post offices in the market that are still unknown to many governments and development institutions.

Some of these include: (i) the flows of remittances to rural areas and their tremendous impact; (ii) a lack of clarity in the regulations and the way forward to address them; (iii) limited financial intermediation and financial products linked to remittances and the opportunities to expand them; and (iv) the need for capacity-building at both institutional and individual levels. The above are only a few of the many opportunities and challenges that are inevitably intertwined within the process of supporting the provision of remittances and additional financial services through post offices, which require a holistic, structured and shared approach by governments and their respective incumbent postal operators.

The remittance market is changing at a rapid pace, with technology transforming payment systems and digitalized financial services creating new opportunities for sustainable inclusive rural finance. There is still time for postal networks in most African countries to play a prominent role in delivering remittances to rural migrant families and advancing financial inclusion. However, strong commitment and a clear strategy are needed.

It is possible and recommended to replicate and leverage the experience of APFSI and to build on its lessons learned. The APFSI model and methodology as designed are adaptable and applicable to other African postal operators looking to expand their last-mile delivery of remittances. They have proved – with the cooperation of committed and dedicated postal operators – to be effective and beneficial to both postal operators and their clients at both ends of the remittance corridors.

Only once the real potential of the postal operator is brought to the attention of the government and regulatory authorities can post offices become recognized as an already existing, specific component of the financial access infrastructure and substantially contribute to the achievement of the overarching goal of poverty reduction.

Methodological note

This report covers APFSI's implementation period (2013-2017). All figures reported are based on research undertaken by IFAD's Financing Facility for Remittances, official World Bank data, data reported by the post offices at the sending end, data provided by the national postal operators (NPOs) at the receiving end and publicly available data from the various money transfer operators (MTOs) that deliver remittances via post offices. The data are based on the main corridors for remittances for each country. Remittance costs for sending EUR 200 are given for the period from 2014 to the beginning of 2017. Currency exchange margins have been taken into account for disbursement in local tender, where applicable.

International Fund for Agricultural Development (IFAD)

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, IFAD has provided nearly US$16.6 billion in grants and low-interest loans to programmes and projects that have reached about 445 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the United Nations' food and agriculture hub.

Financing Facility for Remittances (FFR)

The IFAD-administered US$60 million, multi-donor Financing Facility for Remittances (FFR) is funded by the European Commission, the Government of Luxembourg, the Ministry of Foreign Affairs and Cooperation of Spain, IFAD, the United Nations Capital Development Fund, and with the Consultative Group to Assist the Poor and the World Bank as institutional partners. The FFR works to increase economic opportunities for poor rural people by supporting and developing innovative, scalable cost-effective and easily accessible remittance services that promote financial inclusion and productive investment in rural areas. Currently, the Facility's portfolio includes almost 50 projects in more than 40 countries across the developing world. For more information, please visit www.ifad.org/remittances and www.remittancesgateway.org.

IFAD

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