

Postal financial services: the closer the better



Russian Federation: fund transfers on the rise

Thanks to the UPU's fund transfer solution, the Russian Post has been able to optimize its domestic electronic money transfer network, and at the same time computerize its international payment systems. In the first year of IFS operations, Russia has seen the numbers of international electronic fund transfers grow from 400 to 80,000 a month. The country aims to reach two million international transactions per year by 2006. The introduction of IFS and the computerization of domestic and international money transfer services have made it possible to improve the quality of services, cutting transfer times for international payments from 20 days to three. Russia has also increased its overall volume of exchanges, which rose from four to seven million electronic transactions a month, mostly at the domestic level. What is more, the Russian Post has made substantial savings on its production costs and reduced its rates, while the installation of IFS gave it an opportunity to update its own technology and expand its range of financial services.

Connecting all communities

As part of ongoing efforts to develop its network, the UPU also works in partnership with the suppliers of other types of solutions. The UPU and Eurogiro have thus linked up their respective networks to facilitate exchanges of ordinary tele-money orders.

There are now 32 countries connected to the IFS network⁴. Joining forces with Eurogiro will enable the UPU to further extend its network. The UPU has big ambitions: between now and 2015, it wishes to get all its member countries connected, through a series of regional initiatives. For example, the UPU is currently working on the introduction of a financial network in the Arab countries, following a recommendation by the Arab Permanent Postal Commission, endorsed in 2005 by the Council of Arab Ministers for Telecommunications and Technology.

Postal financial services
give isolated communities access
to vital services
and thereby contribute greatly
to the economic and social
development of countries

⁴ Algeria, Armenia, Azerbaijan, Belarus, Benin, Burkina Faso, Cameroon, Côte d'Ivoire, Djibouti, Ecuador, France, French Polynesia, New Caledonia, Japan, Kazakhstan, Kenya, Korea (Rep.), Madagascar, Moldova, Morocco, Philippines, Russian Federation, Senegal, South Africa, Spain, Tanzania, Thailand, Togo, Tunisia, Uganda, Ukraine, United Arab Emirates. A further twenty or so projects are in the pipeline in other countries.



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More than 3 billion people in the world lack access to financial services¹. Meanwhile, the number of international migrants has risen from 75 million to 200 million over the past 30 years². Many of these migrants are earning a living in a foreign land, to support their families back home. In the developing countries, the sums transferred from abroad by migrants each year amount to some 150 billion dollars – three times the level of public development aid³.

Against this background, access to efficient, affordable financial services and international fund transfers is of the utmost importance, not least as a means of stimulating national economies and development and helping to reduce poverty around the world – one of the UN's principal Millennium Development Goals.



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¹ Microfinanciers overtake their commercial peers, Consultative Group to Assist the Poor (CGAP), July 2005

² Migration Report of the Global Commission on International Migration

³ Ibid



Brazil: the bank that goes further

Operating in partnership with the Bradesco Bank, the Post Bank of Empresa Brasileira de Correios e Telégrafos (ECT) is bringing millions of small investors into the formal economy, encouraging small savers and taking technology and progress into poor or isolated regions. Santa Rosa do Purus, in the Amazon region, is one of the remotest communities in Brazil. It has a population of about 3,000, with 82% living in rural districts. Connected to the ECT network since 2003, the local post office offers online operations and Internet access. This technological progress is a first in the history of the town, which previously had only two means of communication: the local radio station and the church's loudspeaker. The arrival of the Post Bank has made it easier for the town council to pay the salaries of its employees and those of state officials. The post office also collects municipal, state and federal taxes. Life has thus been made easier for some 200 retirees and pensioners, who now receive their payments without having to leave the town. As an immediate consequence of this mini-monetary revolution, more currency is circulating within the town, which has had a knock-on effect on trade and is creating more jobs. When Post Bank operations were first launched in 2002, some five million adults living in Brazil's towns and villages had no bank in their locality. A further 40 million town dwellers did not even meet the criteria to become customers of traditional banks. Of the 1,750 municipal areas previously lacking a bank, more than 950 now have a Post Bank office, and the Post Bank now has a customer base of over 4,2 million.

Responding to market needs

As the traditional financial players have, up to now, failed to respond adequately to the needs of this market, the Universal Postal Union has taken on the mission of helping to build a worldwide postal financial network that provides financial services – and international electronic fund transfers in particular – at affordable cost.

The costs associated with international money transfers remain generally high, with charges of up to 20% levied on transactions. With an average sum of 200 USD being transferred, it is important for the people sending these sums to benefit from the best possible conditions. The UPU plans to offer a solution, based on its member countries' wealth of experience in this area and the strength of its network. At the same time, the organization is convinced that access to secure, affordable money transfer services via the postal financial network will help to prevent the emergence of informal networks, which can result in money laundering and funding of terrorist activities.

Posts around the world have been offering financial services since 1878, when the first money order service was introduced. Today, around two-thirds of the world's Posts provide postal financial services, through a network of over 660,000 post offices. Some ten billion transactions are performed each year, including 14 million international money orders for a total value of over four billion USD. Services range from money orders to savings and customer loans. A number of Posts have even set up post banks, or plan to do so. The Japanese Post, for example, with assets totalling more than three trillion USD, is the world's largest savings bank.



At the service of economic and social development

Financial services can generate up to 50% of a country's postal revenue – even more in certain cases – and this is an indication of their importance for the citizens of these countries. Postal financial services, especially postal savings and third-party agency services offered by Posts on behalf of private and public enterprises, give isolated communities access to vital services and thereby contribute greatly to the economic and social development of countries.

What the UPU does

The UPU provides Posts with the technical and financial assistance they need in order to establish national and international postal financial services. The objective is to create and develop savings and banking services and extend and modernize these postal products. It also seeks to foster the development of electronic fund and payment transfers, and helps to simplify operational procedures and reciprocal regulations. Finally, it promotes exchanges of technical data and other information.

Through its Postal Technology Centre, the UPU – a specialized agency of the United Nations – runs an extensive network of international fund transfer exchanges. Postal operators access this network to exchange money orders with their commercial partners using the IFS solution, which comprises two applications: the IFS



(International Financial System) software, and STEFI, an information technology pipeline that enables Posts already equipped with a system for managing domestic money orders or with an integrated counter system for processing postal products to establish access points to the IFS network

IFS is a reliable, adaptable and easy-to-use tool. In line with the UPU Acts and Regulations, it is provided at low cost and can be installed even in the remotest areas of the world. The cost of implementing an IFS project varies from country to country, according to the size of the installation and the costs of upgrading the country's technological platform. On average, the IFS application costs 20,000 USD, plus an annual fee of 13,000 USD to cover maintenance, updates and technical support. The least developed countries benefit from a 50% reduction.

When a country wishes to join the IFS network, the UPU visits it to evaluate its needs. During the installation of the application, the UPU trains specialists from the local Post, so that they can, in turn, train other staff. Once IFS has been installed, the UPU provides continuous support from its main support centre in Berne (Switzerland), and from its regional support centres in Singapore, Dar es Salaam (Tanzania) and Montevideo (Uruguay).