Case study No. 2

Morocco: Key success factors for the creation of a postal bank

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I. Introduction

In the area of financial inclusion through the Post, Morocco has become a model for developing countries. Poste Maroc's banking subsidiary, Al-Barid Bank (ABB) today manages over 6 million accounts, opening 500,000 a year since its creation in June 2010.

Given the large number of UPU member countries looking to develop a postal bank over the next few years, this report seeks to draw on the Moroccan model to identify the key elements necessary for the creation and establishment of a postal bank with a mission of financial inclusion.

II. Prerequisites

1. Political support
   - Commitment of the Moroccan government to collect small rural savings and to promote financial inclusion.
   - Central bank as project supporter from the outset.

2. Financial support
   - Separation of the giro service and the General Treasury of the Kingdom in 2007, which increased the yield from 2% to 4% on outstanding balances in giro accounts. The profits generated through this separation were used to partially fund the bank's creation.
   - Investment: Financial support from Poste Maroc for the creation of the postal bank (15 million EUR).

3. Legal and regulatory framework
   - Change in the legal status of Poste Maroc from public enterprise to S.A. (société anonyme). These changes were necessary to the creation of a banking subsidiary and the transfer of state assets and liabilities from the mother organization, Poste Maroc, to the Al-Barid Bank subsidiary, which was also set up as an S.A.
   - Assistance from a law firm to draft proposed legislation and decrees enabling the establishment of the postal bank and the transfer of assets.
   - Conditional banking licence. The central bank limited the licence granted to a particular client base (individuals, if possible in the middle- and lower-middle-income categories). The banking supervisory body also asked that ABB wait to launch credit products and start by offering these products in partnership with other specialized companies, so as to gain the necessary expertise in credit risk analysis.

III. Postal bank success factors

1. Network
   - A connected network: All 950 post offices managed directly by ABB are connected to the Internet. Moreover, ABB has more than 600 cash dispensers around the country. Huge investments were made in telecommunications infrastructure as part of the project to create the bank, and this made it possible to modernize and centralize the IT system. In fact, over 100 of the offices were not connected to the Internet before the bank's creation. However, work still needs to be done to bring more than 800 postal agencies that are still offline into the network.
   - Network model: The network belongs to the postal bank, which leases it to the Post for letter and parcel operations. Conversely, the physical premises belong to the Post, which rents them to the postal bank. This requires the establishment of two-way service agreements. The advantages of this system are twofold: on the one hand, the fixed network costs are assumed by the bank, which is the main source of Poste Maroc's revenue, and on the other hand, ABB is the direct employer of the Post's employees and can guarantee banking quality of service to its financial services clients without jeopardizing the universal service.
2 Staff

- Leadership: The leadership of Mr Alami, former Director General of Poste Maroc, the driving force behind the creation of the postal bank and the main proponent, was integral to the success of financial inclusion through the Post in Morocco.

- Continuity: Mr Ben Jelloun, current DG of Groupe Poste Maroc, took over the project from his predecessor without losing momentum during the transition. On the contrary, the project gained new momentum. It is vital to meet commitments made. Since it takes a long time to create a postal bank (five years for Morocco and 10 for France), countries looking to draw on the Moroccan experience need to ensure project continuity, in particular, by including the project in the country’s long-term development vision.

- Hiring of senior managers from the banking sector. Sixteen of the postal bank’s managers were recruited from the private sector. This resulted in considerable savings, compared with the cost of hiring a consultancy firm to lead the project. Moreover, the banking experience of these managers facilitated the internalization of expertise passed on from the various firms hired to help the Post in the most complex areas.

- Involvement of social partners in the change process, before the creation of the bank.

- Internal communication to promote ownership of the project and to bring postal workers on board by keeping them informed and continually reassuring them with respect to the impact of these changes on everyone (meetings, newsletter, activities to boost team spirit).

- Common employee statute initially maintained for all staff members, whether they be postal or bank employees. This was key to controlling tension between the two groups.

- Voluntary retirement scheme to shed employees that were less effective or no longer met the quality of service requirements.

- Establishment of a postal university under the aegis of Poste Maroc three years before the official creation of ABB, as well as three institutes to facilitate the change process. The banking academy, a postal institute specializing in banking activities, was attached to ABB in 2012 (22,000 hours of training in 2011).

- Training of all employees of the Post in banking techniques, from counter staff to regional directors.

- Transfer of less-effective staff to support positions, e.g. through the creation of a back-office position (control) and the hiring of more dynamic staff for functions where client contact is important.

- Improvement of facilities and working conditions in post offices.

- Integration of the function of financial adviser, which did not exist in the old postal financial services structure.

3 Process

- Project organization: In coordination with the central bank, the postal financial services transition project was divided into 40 separate sub-projects, each one with a project lead, deadlines, objectives and clearly defined responsibilities.

- Project prioritization: Management focused on the work necessary to obtain a licence from the central bank and open the postal bank as soon as possible. For example, important but non-essential products such as mortgages, overdrafts, fixed-term deposits and bank drafts were launched at a later date.

- Redimensioning of offices in terms of business volume, on the basis of real data rather than less fact-driven statements by postmasters.

- Establishment of a system of objectives at the regional, office and individual level.

- Commercial oversight and management control with tracking of monthly, quarterly and semi-annual objectives.
4 Systems

- Transition from a decentralized system architecture to a centralized one, thus making it possible to have real-time account data (instead of a day later, as was the case), and limiting operational risk.

- Internally developed information system, based on the "one product, one system" model, so that it is not necessary to reconfigure the whole system when new products are launched, while still keeping a single user interface. This decision was taken following analysis of the current system and taking into consideration the fact that the old platform was already managing 4 million accounts. The recommendation for a Post managing few accounts would be to adopt a core banking system.

- Full automation of the system, for almost all post offices, and adoption of a multi-channel strategy (post office, cash distributor, electronic payment terminal, mobile).

- Sharing of information systems with the Post. The development and system support are based in Rabat with the Post and not with the postal bank.

5 Products

- Lowest rates on the market.

- Very simple and transparent offer for the consumer.

- Communication centred more on products than on the name of the bank. Strategic change in manner of communicating about the Post's financial services.

IV. Conclusions

Today, there is a strong trend towards the creation of postal banks among most Posts offering account-based postal financial services, especially in French-speaking Africa, Arab countries and large emerging countries like India and South Africa. The Moroccan case study helps shed light on the feasibility of such an endeavour in these countries.

The main lesson that can be drawn from this study is that setting up a postal bank requires more than simply a network, postal chequing (giro) accounts, a postal savings bank and the agreement in principle of the central bank. The establishment of a postal bank depends on a multitude of factors, and requires major investments (20 million USD in the case of Morocco), network and IT system upgrades, in-depth staff training, strong and ongoing leadership, support from the government and the central bank, and, finally, the patience to see the project to completion over a period of at least five years.

It is therefore important for governments wishing to embark on such an endeavour to take these factors into consideration in their decisions and to assess their ability to meet most of the prerequisites identified. Above all, governments need to invest in strengthening their postal financial services before a fully fledged postal bank can be launched.