Global Forum on Financial Inclusion for Development

A paradigm shift for the postal sector – Summary report

Organized in cooperation with the Swiss Federal Department of Foreign Affairs, the International Organization of La Francophonie and Swiss Post
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1 Ms Nomsa Kachingwe and Mr Guilherme Suedekum are financial inclusion associates in the UPU Financial Inclusion Programme.

2 Partnerships, Financial Inclusion and Sustainable Development Programme within the UPU Development Cooperation Directorate.
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On 24 and 25 October 2013, Geneva welcomed over 200 representatives from more than 60 countries to participate in the Global Forum on Financial Inclusion for Development. Participants represented postal operators, central banks, international organizations and permanent representations to the United Nations, among other institutions. All had in common an interest in discussing and learning more about postal financial inclusion, and sharing experiences. The Global Forum on Financial Inclusion for Development was organized by the Universal Postal Union (UPU), in collaboration with the Swiss Confederation and the International Organization of La Francophonie, and with the support of Swiss Post. The main objective of the forum was to create a platform for dialogue, exchange of ideas and cooperation among all stakeholders.

The Global Forum was opened by representatives of the three organizing institutions: Mr Bishar A. Hussein, Director General, Universal Postal Union; H.E. Alexandre Fasel, Ambassador, Permanent Mission of Switzerland to the United Nations Office and other international organizations in Geneva; and H.E. Ridha Bouabid, Permanent Representative to the United Nations, International Organization of La Francophonie. In addition, Mr William Lacy Swing, Director General, International Organization for Migration, delivered a speech showing the relevance of financial inclusion on the international development agenda. During the two days of the Global Forum, various key issues for postal financial inclusion were discussed. This report presents the discussions and results of each session during the forum.
Remittances as an engine of social and economic development

Remittances can play an important role in the economic and social development of a community or even a country. The inflow of funds can have a multiplier effect in the economy, benefiting both recipients and the society as a whole. During this session, the panellists discussed the relevance of remittances for development and the channels through which these cash flows can impact developing economies.

There are around 230 million international migrants worldwide, and according to the International Labour Organization (ILO), more than half of them are economically active in their destination countries. Migration flows are intimately related to the search of better job opportunities; therefore, such movements have an important and positive impact on remittances. As pointed out by Mr Pedro de Vasconcelos, Coordinator of the Financing Facility for Remittances at the International Fund for Agricultural Development (IFAD), an estimated 430 billion USD would be sent home by migrants in 2013; 150 billion USD would reach rural areas in developing countries.

Harvesting remittances is fundamental for the economy at both macro and micro levels. Mr David Bicchetti, from the International Trade in Goods and Services and Commodities Division at the United Nations Conference on Trade and Development (UNCTAD), highlighted the relevance of remittances for many countries. In some cases (e.g. in Moldova and Haiti), remittances accounted for nearly 25% of the country’s 2012 GDP. At the micro level, remittance flows are so dynamic in some regions that they can represent between 50% and 80% of household income. Mr Bicchetti stressed the importance of remittances to alleviate poverty: a 10% increase in a country’s flows can generate a 3.5% decrease in poverty.

“Migration is perceived as an engine for development, and as we have seen with respect to the magnitude of remittances, migration goes hand-in-hand with the main issues discussed in the context of a global partnership in the areas of trade, technology transfer, aid efficiency, as well as debt reduction.”

Mr Lars Lönnback
Principal Adviser for Migration Policies, International Organization for Migration

Contrary to common assumption, remittances do not only serve to increase consumption in the recipient households. Rather, they can have a significant impact on social and economic development. Ms Samia Kazi Aoul, from the International Migration Programme at the ILO, elaborated on the various ways that remittance flows and migration can produce a positive impact on development. Panellists also highlighted the importance of financial education as a means of optimizing the use of remittances for development. They also discussed the need for efficient labour markets able to offer employment opportunities for returnees.

Mr Lars Lönnback, Principal Adviser for Migration Policies at the International Organization for Migration (IOM), emphasized the need to incorporate the subject of migration into the Post-2015 Agenda and to give it special attention. In fact, migration was already present as a theme in the Millennium Declaration, but was not integrated in the Millennium Development Goals. Since
ducting a project in partnership with the UPU, Groupe La Poste (France), and four postal operators – those of Mali, Côte d’Ivoire, Cameroon and Burkina Faso – with funding from EuropeAid. The project aims at improving the quality of remittance services and reducing their cost; developing new technologies adapted to rural areas where connectivity and access to electricity are issues; informing senders and recipients of funds, especially in rural areas, on how they can best use the money (financial education); and encouraging the provision of additional financial services for recipients, such as savings accounts and insurance.

By the end of the session, the message was clear: remittances can be a powerful instrument for boosting economic and social development, and the postal sector has a role to play. Moreover, the international community has already acknowledged that various global issues are intrinsically related to migration. Migration has always been present in discussions of global relevance; however, only now with its inclusion in the upcoming Post-2015 Agenda is it being given the attention it really deserves.

Mr Bishar A. Hussein
Director General, UPU

2000, migration has become more and more relevant. Therefore, the question is not whether migration should be included in the Post-2015 Agenda, but rather how it should be included. In Mr Lönnback’s own words, “migration is perceived as an engine for development, and as we have seen with respect to the magnitude of remittances, migration goes hand-in-hand with the main issues discussed in the context of a global partnership in the areas of trade, technology transfer, aid efficiency, as well as debt reduction”.

Mr Adrien Champey, Development and Global Network Director at PlaNet Finance, stated that important projects on remittances for development are already being carried out around the world, and postal operators are playing a key role. PlaNet Finance is conducting a project in partnership with the UPU, Groupe La Poste (France), and four postal operators – those of Mali, Côte d’Ivoire, Cameroon and Burkina Faso – with funding from EuropeAid. The project aims at improving the quality of remittance services and reducing their cost; developing new technologies adapted to rural areas where connectivity and access to electricity are issues; informing senders and recipients of funds, especially in rural areas, on how they can best use the money (financial education); and encouraging the provision of additional financial services for recipients, such as savings accounts and insurance.

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Mr Bishar A. Hussein
Director General, UPU

Migration and remittances – what are the potential contributions to development?

| Employment                                      | – Productive investments  |
|                                                | – Reinvesting savings (microcredit, housing improvement) |
|                                                | – Consumption of local goods: impact on the GDP and job creation |
|                                                | – Professional reintegration (self-employment, entrepreneurship, cooperatives) |
| Education & Health                              | – Increased spending on health and education by migrants’ families |
|                                                | – Impact on child mortality rate, hygiene conditions and school enrolment |
| Human capital                                   | – Knowledge transfers |
|                                                | – Technology transfers |
| Social                                          | – Donations and contributions to local development (culture, health, education) |
| Politics                                        | – Political involvement of former migrants |

Source: Adapted from the International Labour Organization (Ms Samia Kazi Aoul, 2013)
“2.5 billion adults today do not have access to formal financial services. Remittance flows generated by economic migrants, half of whom are women, improve living conditions and education for migrants’ families. Moreover, these migrants create micro-businesses and generate employment, therefore contributing to the objectives of sustainable development of the Post-2015 Agenda.”

H.E. Alexandre Fasel
Ambassador, Permanent Mission of Switzerland to the UN Office and other international organizations in Geneva

“The High-Level Dialogue Declaration, under its 27th point, recognizes that remittances constitute an important source of private capital and calls for the need to promote conditions for cheaper, faster and safer transfers of remittances in both source and recipient countries... I am confident this Global Forum will be another occasion for economic players, governments, central banks, donors and international organizations to forge partnerships to advance innovative and sustainable solutions and bring human and economic development efforts one step further.”

Mr. William Lacy Swing
Director General, International Organization for Migration

“Financial inclusion is one of these [cross-cutting] issues because it touches upon one of the most sensitive economic exclusion factors: the lack of access to basic banking and insurance services for a large number of people in developing and least developed countries, services that are essential for developing economic activity that can provide for their needs and those of their families. Public operators essentially will facilitate access to these services. In this context the postal network has a central role.”

H.E. Ridha Bouabid
Permanent Representative to the United Nations International Organization of La Francophonie
Remittance cost reduction as a development goal

During the 2009 L’Aquila Summit, the G8 heads of government and state endorsed the objective of reducing the cost of remittance services by five percentage points in five years (5X5). Since then, action has already been taken, and some countries have shown impressive results towards the set target. However, many challenges have yet to be overcome in order to attain the goal. Reducing the cost of remittance services is a feasible and desirable goal, and postal operators can help in this process.

Mr Massimo Cirasino, Head of the Payment Systems Development Group at the World Bank, and considered one of the fathers of the 5X5 goal, explained that the commitment was made to reduce the global average costs of transferring remittances from 10% in 2009 to 5% by 2014. As he stated, “the 5X5 would save migrants and their families at least 16 billion dollars per year”. The 5X5 goal has already produced very positive results: 65% of the 220 corridors evaluated by the World Bank present a cost below 10%, and 44 of these are already below the 5% target. However, much still needs to be done to attain the goal, and transparency and innovation are key aspects. Postal operators have a very important role to play, since, as Mr Cirasino stated, “postal services continue to be the lowest cost services available”. Indeed, postal services have already reached and surpassed the target of 5%, as the graph on page 9 shows. However, he also urged postal operators to offer more financial services and to increase their remittance volumes. “As much as we love you, we would like to see you more active in this space,” he said.

Italy had a very influential role in the genesis of the 5X5 goal. Mr Basilio Toth, Head of the financial unit of the Directorate General for Global Issues of the Italian Ministry of Foreign Affairs, explained why this goal is so important for his country. Historically, he said, remittances have been very important to the Italian economy, since money sent back home by Italian migrants was critical to rebuilding the country in the post–World War II era. Italy thus knows the value of remittances for development and decided to take the first step and push for this goal.

"Postal services continue to be the lowest-cost [remittance] services available."

Mr Massimo Cirasino
Head, Payment Systems Development Group, World Bank

However, the isolated action of a few countries is not enough. To reach the 5X5 goal, everyone has to be engaged. Once again, Mr Toth stressed the critical role of the Post, saying it has the “silver bullet”: it is the cheapest way of sending money, and it goes where no one else goes.

Mr Stéphane Gallet, Head of Migration and Development at the French Ministry of Foreign Affairs, discussed the need to better monitor remittance volumes and costs. A very useful measure adopted by the French government was the creation of an online platform that provides data on remittances, improving transparency in the sector, promoting competition and thus fostering price reductions.
In Mr Gallet’s view, Posts are key players in reducing the cost of remittances, especially because of their large and well-distributed network. Since transfer flows from urban to rural areas are heavy, Posts can help to reduce the cost of the “last mile”. Mr Gallet also reminded the audience of the importance of the UPU and its role in the advocacy and dissemination of best practices in the area of financial inclusion. The UPU should continue to promote and disseminate new technologies and to facilitate the process of financially including the unbanked through the Post. Lastly, he suggested that the UPU could raise countries’ awareness on the importance of competition, especially when postal operators are developing partnerships.

Mr Marc Hollanders, Special Adviser on Financial Infrastructure at the Bank for International Settlements (BIS), said competition was key for increasing remittance volumes and lowering costs. Moreover, postal operators are part of payment systems and therefore need special attention from central banks. He stressed that efficiency needs to exist on both sides, in both receiving and sending countries. This reinforces the call for global action on reducing the cost of remittances: all countries have to be engaged. The BIS recognizes the relevance of organizations with large networks, particularly in receiving countries, and encourages postal operators to play a bigger role in providing remittance services.
Although there is still work to be done to accomplish the 5X5 goal, there are reasons to believe that things are moving in the right direction. Some initiatives led by the postal sector, with support from the UPU, are presenting good results. Mr. Pascal Clivaz, UPU Deputy Director General, showed that it is indeed possible to reduce the cost of remittances, as postal operators have demonstrated in West Africa, Central Asia, Asia-Pacific and Latin America. Through its International Financial System (IFS) for the electronic transfer of money orders, the UPU is helping 65 countries to reduce the cost of remitting funds internationally. In all places where IFS has been implemented, the system has enabled postal operators to become one of the cheapest remittance service providers and has also introduced additional competition, therefore encouraging other providers to reduce their own prices.

The 5X5 goal is an ambitious one, made feasible through the efforts of some countries and organizations. Some good results have already been achieved, and globally the average cost of remittances is declining. However, the goal has not yet been reached. Postal operators are the cheapest provider and, in many cases, push other providers to reduce their prices. Here, the UPU has an important role to play in disseminating best practices and facilitating access to new technologies. These activities are essential for leveraging Posts’ capacity to reduce the cost of remittances.
Financial inclusion through Posts: challenges and opportunities

In a key session focusing on the role of postal networks in financial inclusion, panellists discussed the challenges and opportunities that postal operators are facing today. According to Mr Alexandre Berthaud, Financial Inclusion Expert at the UPU, postal networks are already making a significant contribution to financial inclusion. There are exciting examples of where the Post has built on its presence in rural areas to provide financial services to the unbanked population. Yet not enough attention has been given to the role of postal networks in financial inclusion. Mr Berthaud explained that the postal network can act as a gateway through which people excluded from the formal financial sector can find a way into the financial system. Given that revenues from the core mail business have declined by nearly 20% in the last decade, while financial services revenues have increased by 28% over the same period, he stressed that postal operators should seize the opportunity to develop their financial services offering as a matter of survival.

Panellists agreed that the Post offers a natural solution to the main challenges facing financial inclusion, including accessibility, affordability and eligibility. Supporting this point, Ms Dorothe Singer, Consultant with the Finance and Private Sector Research Team at the World Bank, said research shows that “post offices may be comparatively better at providing accounts to segments of the population that are often most likely to be financially excluded, such as the poor, less educated, those out of the labour market, and those residing in rural areas”. Presenting the joint study by the World Bank and the UPU entitled Financial Inclusion and the Role of the Post Office, Ms Singer added that, by providing financial services, “post offices can boost account ownership at both the post office and other financial institutions”. For the first time, she said, these research findings provide the postal community with concrete data to back up claims that postal networks can play a leading role in financial inclusion.

“The postal sector is the second largest contributor to financial inclusion worldwide, with almost 1.6 billion accounts held in post offices. One billion people in more than 50 countries are currently banked through the Post.”

Mr Alexandre Berthaud
Financial Inclusion Expert, UPU

The session also highlighted the fact that postal operators are becoming important partners for both the private sector and the international development community. Ms Alessandra Grassi, Senior Product Manager at MasterCard, noted that postal networks are an integral part of MasterCard’s global strategy to provide payment services to the unbanked. Through postal networks, MasterCard provides payment cards, e-commerce and mobile financial services to under-served consumers around the world. Ms Grassi stated: “Diversifying into the financial services business is essential for [the] long-term growth strategy [of the Post].” The Post’s large physical network, close links with government and high level of consumer trust are valuable assets that can be leveraged to promote financial inclusion, while at the same time generating sustainable
revenue streams for growth. Similarly, Mr Patrick Mommeja, Microinsurance Coordinator at Allianz Africa, indicated that microinsurance offers a new avenue for postal operators to widen their range of services, build a loyal customer base and strengthen revenue margins. Postal networks have also become essential to the growth of the insurance business. As traditional models of distribution are becoming more and more saturated, postal networks can offer a new delivery channel for insurance products and services, as well as provide access to a new clientele, particularly in rural and under-served markets. For Allianz Africa, partnering with the Post has allowed the firm to expand its business into new markets.

A key point that came out of the discussion was that there is no one-size-fits-all model for the provision of financial services through the Post. Ms Mayada El-Zoghbi, Senior Microfinance Specialist with the Consultative Group to Assist the Poor (CGAP), emphasized that each postal operator must assess the market reality and choose a model for financial services that takes into account the current situation in its country. She cited the case of Tunisia Post, which has been working with CGAP to expand postal financial services in Tunisia. “The business case for creating a new microfinance institution owned by La Poste [Tunisia] is weak,” she said. “Credit delivery requires significant capacity and
“Given their widespread presence in rural and poor areas, post offices can play a leading role in advancing financial inclusion.”

Ms Dorothe Singer
Consultant, Finance and Private Sector Research Team, World Bank

risk management systems that are not currently present in Tunisia Post.” This is likely also true for other postal operators in the Middle East and North Africa region. She mentioned that postal operators must consider other key challenges before expanding their financial services offering. These include creating a coherent strategy, improving information systems, and building human resource capabilities for financial service delivery. Ms El-Zoghbi suggested that one way to overcome these challenges is through partnerships, saying: “Partnership models hold significant potential for win-win scenarios on credit, but also for other financial services.”

Another challenge postal operators may face in providing financial services is compliance with the anti-money laundering and combating the financing of terrorism (AML/CFT) requirements. Ms Anne-Françoise Lefèvre, Policy Analyst with the Financial Action Task Force, stated that some specific challenges Posts are facing from an AML/CFT perspective include compliance with the legal framework, awareness raising and capacity building among staff, and performance of risk assessments for AML/CFT policies. She cautioned, however, that an overly aggressive approach to AML/CFT can lead to the exclusion of legitimate businesses and consumers from the formal financial system. In fact, AML/CFT and financial inclusion pursue mutually supportive objectives. More citizens using formal financial services increases the reach and effectiveness of AML/CFT regimes. The AML/CFT recommendations can be an opportunity for the Post: by implementing know-your-customer (KYC) measures, for example, postal operators can gain a better understanding of the needs of their clients, and therefore provide suitable financial services for their consumers.

It was clear from the discussions that both private and public actors perceive a huge potential for the Post to play a more central role in financial inclusion. Different business models for postal financial inclusion can be employed, depending on the country, but overcoming key challenges will be important if postal networks are to be effective in enhancing financial inclusion.

Alexandre Berthaud, Guilherme Suedekum, Bishar A. Hussein, UPU
Financial services through mobile phones: business models for the Post

Following the discussion on the opportunities and challenges facing Posts, talks focused on an increasingly important avenue for financial inclusion: mobile financial services. Panellists discussed the various business models Posts can employ in a mobile money environment, agreeing once again that there is no single model that Posts should adopt when entering the mobile money business. “There are a lot of different roles post offices can play in the value chain for mobile financial services,” said Mr Tillman Bruett, Programme Manager for Mobile Money for the Poor at the United Nations Capital Development Fund (UNCDF). Offering mobile money requires a coordinated set of activities, he added, which include regulatory engagement, product and business development, technology development, network management, and marketing. Mr Bruett challenged postal operators to consider what activities they are best suited for, as not all activities in the value chain need to be carried out by the Post. Partnerships with other service providers can help Posts enhance the effectiveness of their mobile products and services.

Presenting the study Remittances and Mobile Financial Services: Business Models for the Post, prepared specially for this forum, Professor Jean-Louis Arcand, Director of the Centre for Finance and Development at the Graduate Institute of International and Development Studies in Geneva, indicated that postal operators commonly use two types of models for providing mobile financial services. In the first instance, Posts act as agents for existing mobile money operators, by providing cash-in/cash-out services along the postal network. In the second, Posts provide their own mobile financial services using a variety of partnership arrangements with technology and financial service providers, especially for domestic transfers. He noted: “There has been a lot of focus on mobile financial services for individual consumers, but not enough on SMEs.” There is therefore an opportunity for Posts to create mobile services oriented towards entrepreneurs and businesses that are also excluded from the formal financial system. Professor Arcand also stressed the

“The physical presence of the Post is good for now, but it will not be sufficient in the future. [Posts] need to find a way to connect to a younger, more digital, community.”

Mr Ade Shonubi
Managing Director, Nigerian Inter-Bank Settlement Scheme (NIBSS)
need for more data on the postal sector, as this would enable more robust evaluation of mobile financial services offered by the Post. He recommended that the UPU play a coordinating role in systematically collecting data, measuring the impact of mobile financial services and sharing best practices with postal operators around the world. This is essential if Posts are to make a real impact on financial inclusion.

Moving from an academic perspective towards a practical perspective, the session highlighted the experiences of postal operators that have been successful in providing mobile financial services. For Bangladesh Post, mobile financial services have become key services. Mr Nayeb Delowar Hossain, Director General of Bangladesh Post, explained that over the last three years, his entity has entered into partnerships with mobile network operators and telecommunications providers to offer its mobile financial services. “Our mobile money services are expanded over the whole country, which needs a wide network,” he said, “but we did not have enough resources to provide the [mobile] network.” It was therefore important for Bangladesh Post to form partnerships with mobile network and technology providers. The Post now offers three different mobile and card services: Mobile Money Order Service, Postal Cash Card and, most recently, Mobile Banking. The Mobile Money Order Service has become the most popular service offered by Bangladesh Post, as it is offered in over 2,000 post offices, most of which are in rural areas.

Mr Zouheir Elloumi, Director of Postal Financial Services at Tunisia Post, stated that financial services now account for 70% of the Post’s revenue, compared with 40% in 1999. After launching the payment platform e-DINAR in 2000, Tunisia Post introduced a multi-channel payment card, e-DINAR SMART, to provide mobile and online payment services to clients, as well as to familiarize the unbanked with new financial

Source: GSM Association, adapted by Mr Tillman Bruett (UNCDF), 2013
services. The smart card has stimulated the introduction of several new mobile and electronic services, including MobiDinar and MobiFlouss, both of which are mobile payment services offered in partnership with two telecommunications companies. Both services have been extremely successful, and now Tunisia Post has entered into a partnership with a third provider in the country. Mr Elloumi added that mobile financial services provide benefits for Posts, including improved customer loyalty, decongestion of counters in post offices and reduced cash transportation between post offices. He noted that government support for the development of multi-channel digital transactions was vital for the success of the mobile financial services provided by Tunisia Post.

Panellists agreed that it is crucial for postal operators interested in mobile money to seriously consider the level of investment required. The Bangladesh and Tunisia cases both show that significant investment in technology is needed. As Mr Bruett pointed out, “the most successful deployments [of mobile money] cost more than 1 million USD … and the operating costs of managing a network remain high for some time”. Mr Ade Shonubi, Managing Director of the Nigerian Interbank Settlement Scheme (NIBSS), added that aside from the cost of communication and technology infrastructure, postal operators should consider the costs associated with cash management, branding and staff. Building the necessary human resource capabilities for mobile money is essential, he explained, as providing mobile financial services requires a “different mind-set, a different set of skills”.

However, Mr Shonubi explained that as financial services become increasingly mobile, the cost of providing those services declines considerably, therefore enabling Posts to make savings on cash management and physical banking infrastructure. He

![Reducing the cost of banking infrastructure](source: CGAP, adapted by Mr Ade Shonubi (NIBSS), 2013)
“When we get it right, the cost of transactions in a good mobile payments space should be near zero... [But] the implication is that physical structures begin to vanish. So this begs the question, where will post offices sit in the chain?”

Mr Ade Shonubi, Managing Director, NIBSS

opportunities exist in government and development-oriented remittances, as well as in microfinance. Posts should therefore position themselves to take advantage of these opportunities.

Ms Cécile Barayre-El Shami, Economic Affairs Officer at UNCTAD, and Mr Reinhard Scholl, Deputy Director of the Telecommunication Standardization Bureau at the International Telecommunication Union (ITU), both stressed the importance of regulation for the development of mobile financial services. Speaking from her experience in East Africa, Ms Barayre-El Shami noted that the Post was playing an important role in mobile financial services. For instance in Burundi, the postal operator is one of the major players; it provides the mobile payments product Eco Cash in partnership with a mobile network company. However, she stressed the need to harmonize the regulations relating to financial services and e-commerce in the region. “There should be regulatory teamwork between the regulatory and market sectors, especially for dealing with the...
issues of consumer protection and interoperability,” she said. Mr Reinhard Scholl added that a multi-stakeholder approach for standards development for mobile payment services would boost the growth of mobile money in developing countries. He suggested increased collaboration between the UPU and ITU to create a roadmap for addressing the limited interoperability among mobile network operators and the development of an architecture for secure mobile financial services, as well as for the collection of data and the creation of a mobile payments index.

The session highlighted that mobile financial services present yet another opportunity for Posts to contribute to financial inclusion. Post offices should be forward-looking, as the their physical network will no longer be a competitive advantage in the future. However, the panellists emphasized that the addition of mobile money to the portfolio of services provided by the Post is not an easy process. As the cases from Bangladesh and Tunisia indicate, a significant level of investment in technology and network infrastructure is required. There is therefore potential for partnerships between Posts and technology providers, as well as between the UPU and other international organizations, to ensure that postal operators can thrive in the mobile money environment.
Microinsurance: a new economic model for the Post?

Microinsurance can be a new business frontier for Posts around the world. A very successful way of offering these products is through partnerships between the postal operator and another company. However, we can also find some good examples of postal operators directly offering insurance products by themselves. As always, the business models are not perfect, and each of them includes strengths as well as challenges that require special attention. This session had the aim of presenting some microinsurance business models to encourage more postal operators to enter this important business segment, with a view to achieving not only financial inclusion but also their long-term economic viability.

Mr Craig Churchill, moderator of the session and Leader of the International Labour Organization’s Microinsurance Innovation Facility, highlighted that microinsurance schemes have the particularity of depending on trust, while being aimed at a population that is not used to insurance products. Clients have to have a high level of trust in the company selling them insurance policies; insurance thus requires an active selling process. As Mr Churchill put it, “insurance is not bought, it is sold”. Low-income people are the ones that need insurance products the most, but they are also the ones who cannot afford them. Post offices are able to lower the cost of these products, given their massive distribution network and the low marginal cost of offering a new product on their network. Therefore, affordable insurance products can be designed and delivered by the Post all the way into rural areas, thus allowing even low-income and excluded populations to access them.

“The low-income segment of the market is the most vulnerable to risks, and the least able to cope when risks occur. So, the people who need insurance the most are the least likely to have it. That’s a bit of a conundrum... I’m excited about post offices, because I think they can help us solve part of this conundrum.”

Mr Craig Churchill
Microinsurance Innovation Facility Leader,
International Labour Organization

The case of the partnership between Al Barid Bank (the Moroccan Postal Bank) and the Moroccan insurance company Wafa Assurance is based on a clear and progressive strategy of a postal operator entering the insurance market. As presented by Mr M’hamed El-Moussaoui, board member of Al Barid Bank, the launch of microinsurance products was part of the development strategy of the Post, which had the goal of diversifying its financial services offer to retain existing clients and gain new ones. Mr El-Moussaoui explained that the Moroccan Post started with a learning phase from 1999 to 2003, in which about 15,000 contracts were sold through 220 branches. These microinsurance products were provided by three different insurance
companies and sold by the Post under the insurance companies’ brands. During this first phase, the Moroccan Post was able to gain insight; following a study on how to position itself in the market, a business model was designed. The model is based on two principles: strong partnerships with no competing products and a microinsurance distributor role, but using Al Barid Bank’s brand for the products. Al Barid Bank has been so successful that it sold 546,113 policies in 2012.

The process of choosing a partnership was particularly important. Wafa Assurance, one of Al Barid Bank’s partners, is a leading insurance company in Morocco that offers different microinsurance products for both individuals and enterprises. According to Mr Hassan Chakib, Director of Development and Commercial Pilots at Wafa Assurance, one of the key success factors of the partnership with Al Barid Bank – and consequently of the business model itself – was that each partner was assigned a clear role. Additionally, Mr Chakib confirmed the importance of a good sales model. Indeed, in Morocco, Wafa Assurance provides dedicated sales people who are in charge of promoting sales in the postal network by visiting post offices, training tellers and ensuring that marketing material is available. This is a key lesson for other Posts interested in entering the microinsurance business.

Another interesting case was presented by the Malian Post and its partner, the New Inter-African Insurance Company (NSIA). The partnership was made possible thanks to a UPU technical assistance mission in the field, which recommended the creation of a microinsurance business model for the Post. The Post’s role in this partnership is to act as a distributor for NSIA’s products. NSIA is in charge of managing the business and giving support on marketing strategies. Most importantly, NSIA is responsible for training the postal staff. Both Mr Wandé Diakité, Chairman and CEO of the Malian Post, and Mr Basile Worou, Director General of NSIA, acknowledged that postal staff initially showed
Lowering the price of insurance products is not enough for low income people to buy insurance. What is important is that the product truly responds to the needs of the people.

Mr Basile Worou, 
Director General, NSIA Mali

Rather than giving Posts a formula for offering microinsurance products, the session presented various models that could be implemented and showed that this market can be a very interesting one for postal operators in terms of both revenues and financial inclusion. Indeed, in many countries, the market is not providing these products at all, or not on the scale needed. Postal operators should be looking for opportunities and analyzing the potential business case to enter this sector, so as to boost revenues and contribute meaningfully to financial inclusion.
Postal banks: the solution to financial exclusion?

Postal banks play a critical role in many countries, reaching the unbanked and increasing financial inclusion. More and more countries are exploring the possibility of creating a postal bank. This is true in many developing countries in Africa and Asia, as well as in large emerging economies such as India and South Africa, where the Post has been offering savings products for decades. Different models have been used, but with them come different challenges, as well as strategies to overcome them.

As explained by Mr M'hamed El-Moussaoui of Al Barid Bank, the characteristics of each postal bank will depend on the characteristics of its country, such as the level of development, the legal framework and the competition in the financial market. In the case of Morocco, prior to the creation of Al Barid Bank, the country had a financial inclusion rate of only 30%. Moreover, the banking network was concentrated in urban areas, and the low-income population was virtually excluded from the formal financial sector. The Post saw an opportunity and realized it could meet the needs of this segment of the population. The business model was designed to focus on this low-income population, offering them simple and tailor-made products through its already existing network. Furthermore, it was essential for the Post to obtain the support of public authorities. The Moroccan central bank viewed the Post as a key financial inclusion tool, and this was a critical success factor in the postal bank’s creation. Bringing in banking and finance know-how, both by training existing staff and recruiting external staff, was fundamental.

In developed countries, some postal banks have also had tremendous success. PostFinance, the Swiss postal financial institution, has been providing financial services to the general population, particularly people in rural areas and small savers, for over 100 years. As pointed out by Mr Dominique Freymond, Vice-Chairman of the Swiss Post Board of Directors, the key success factors for PostFinance are related to its network density and capillarity. Though apparently not competing for the same clients, PostFinance has throughout its history faced heavy competition from universal banks, as well as the opposition of the banking lobby, which is very strong in Switzerland. Eventually, PostFinance received the authorization to perform banking services without officially becoming a bank. The fact that PostFinance has been thriving in this environment proves that postal operators, when taking the right measures, can be important players in their country’s financial sector. It also proves that postal savings banks do not necessarily need to become full-fledged postal banks; they can be very successful if they modernize themselves and are allowed to offer some banking services without a full banking licence.
Gabon Post offers a very interesting and recent case of launching a postal bank. The Post decided to establish its own bank to diversify its sources of income and fulfill its role as promoter of financial inclusion in the country. Mr Boniface Boudiala, Legal Affairs Director of Gabon Post, further explained that “it is a heritage”. Gabon Post already had a long tradition of offering financial services through postal cheques and savings accounts when it created the postal bank. According to Mr Boudiala, the first obstacle was to convince the government, and even the Post’s own staff, that creating a postal bank was possible. To do so, the organizational structure, the postal staff’s mind-set and the Post’s infrastructure had to change. After many feasibility and strategy studies, the postal bank was launched in 2012. The Post is increasing its relevance in the financial sector year by year: projections estimate that by 2020 the bank will have a 7.5% share in both the credit and deposit markets. Several times, the alignment of the Post and the government and their joint efforts to make this enterprise succeed were mentioned, showing once again that political support is critical to the success of postal financial inclusion.

However, sometimes, Posts can also be successful as agents for an external banking institution, by offering all of its services, including account opening, rather than becoming a bank themselves. Argentina’s Post is implementing such a partnership model with the state-owned Banco Hipotecario. Since the Post has a wide presence with its 4,200 contact points covering 95% of the national population, this new partnership will allow even greater financial inclusion, especially in rural areas. Mr Leandro Caputo, Treasury Manager for the Argentine Post, made it clear that studying other cases and having external assistance are crucial for developing a banking partnership. Argentina’s Post consulted with the French and Brazilian Posts to gain a clearer view of what challenges lie ahead during the implementation process and how to overcome them. The need for alignment between the postal operator, the central bank and the federal government was stressed, with all agreeing that the Post has a role to play in financial inclusion. This is of particular importance in the case of Argentina, since the country has no agency banking regulations and the Post is seeking the central bank’s ad hoc approval to launch this type of service, thus paving the way for the rest of the financial sector, as was the case in Brazil.

“Can a postal bank be the solution to financial exclusion? Our experience shows we can say yes, and it provides even more towards long-term development.”

Mr Dominique Freymond
Vice-Chairman of the Board of Directors, Swiss Post Ltd

The postal bank of the Philippines is another interesting case, showing the government’s vital role in the success of such ventures. The postal bank is currently facing obstacles from the government that are restricting its performance. The Post of the Philippines has a history of more than 100 years. Ms Josefina Dela Cruz, Postmaster General and CEO of PhilPost and Chairman of the Philippines’ postal bank, said that, currently, the Post owns 100% of the postal bank; however, the bank has been closed twice in the past. In 1994, the postal bank was reopened with a new charter that allows it to offer loans, remittance services and deposit products. Ms Dela Cruz pointed out that the postal bank did not use the postal network until very recently, offering services in fewer than 30 contact points, whereas the Post
Swiss customers can deal with PostFinance, the Swiss Post’s financial arm, for a variety of financial transactions (Photo: Swiss Post Ltd)

has around 1,800 contact points. Many challenges lie ahead for the postal bank. It will continue its efforts to show the authorities that it is still an important player in the financial sector, especially in rural areas, and will fulfill its vision of providing financial services and promoting social and economic development.

In conclusion, there is no one-size-fits-all model, and creating a full-fledged postal bank is not always the best option for Posts. Establishing a postal bank requires huge investments, as well as risk management skills that are usually not available at the Post. In addition, the postal bank model may not always be the best option in terms of financial inclusion, since postal banks can sometimes forget the postal vision of offering services to all and become another commercial bank competing for higher and middle-income customers. It is therefore up to each postal operator to assess the market and create a model that fits its level of resources and the needs of its target population.
The role of the authorities in postal financial inclusion

Experience from developing and developed countries has shown that it is often political support, public investment and an enabling legal and regulatory framework that have sealed the success for Posts in financial inclusion. In this session, the lively discussion focused on the concrete steps governments and central banks have taken to create a supportive environment for financial inclusion through the Post. In post-conflict countries like Burundi and Somalia, the Post can play a central role in rebuilding a financial system focused on the needs of the unbanked, poor and rural population. However, regulatory and national authorities must seek a balance between inclusion of postal financial services’ end users and the Post’s sustainability.

In opening the session, Mr José Ansón, UPU Economist, stated: “As developing countries advance, it will be important for the authorities to invest in infrastructure that will enable them to provide new services to their citizens.” He added that the postal network is an important part of that infrastructure. As pointed out by H.E. Bahiat Massoundi, Minister of Posts and Telecommunications, Promotion of New Information and Communication Technologies, Transport and Tourism of Comoros, the authorities in Comoros have recognized the Post’s economic and social importance. Given the postal network’s close proximity to the general population, particularly in disadvantaged areas, it was necessary to support the Post in developing financial services. “Studies are under way to use the network of 42 post offices and 29 telecommunications agencies to implement mobile payment services and to allow a larger population to benefit from a secure payment system,” the Minister said. Currently, the Post is establishing a postal bank with the support of the Ministry and the central bank. Ongoing regulatory reforms are expected to be completed in 2014, and the postal bank will be recapitalized to enable it to provide credit to individuals, households and small businesses.

Panellists agreed that rapid innovation in financial services presents a challenge for authorities. As the Comorian Minister pointed out, the needs of consumers evolve much more rapidly than the regulatory framework. “[The Post] is now somewhere between a state-owned company and a bank,” she said. She appealed to potential partners, and the UPU in particular, to offer their expertise in building a suitable regulatory environment for postal financial services. Mr Innocent Ndbarushimana, Head of the Supervision Unit for Microfinance, Non-Banking Institutions and Financial

“It remains the role of the policy makers and regulators to ensure that the playing field in financial service provisioning remains level and fair, balancing stability, inclusion, consumer protection and integrity.”

Mr Roelof Goosen
Director Financial Inclusion, National Treasury of South Africa
“Given the important role the Post plays in the economy and society, the Comorian State has given support through several actions, including on-going reforms which should lead to the establishment and recapitalization of a Post Bank…”

H.E Bahiat Massoundi
Minister of Posts and Telecommunications, Promotion of New Information and Communication Technologies, Transport and Tourism
Presenting a rather divergent view, Mr Roelof Goosen, Director for Financial Inclusion at the National Treasury of South Africa, stated that it was important for the authorities to consider the sustainability of postal financial inclusion and to maintain a level playing field for all financial institutions. Currently, the South African government provides direct support to Postbank through budget allocation and investment in network infrastructure and capacity. Mr Goosen mentioned that Postbank had been successful in providing basic accounts, such as the Mzansi account. However, as a department within the post office, Postbank is limited in the range of financial products and services it can offer to consumers. The solution would be to create a regulated state-owned bank, in order to level the playing field for financial inclusion. “We cannot be seen to favour Postbank over any other bank,” he said. He added that, as all private financial institutions in South Africa are required to commit to achieving the financial inclusion and economic development goals set out by the government, it was important that the authorities did not give an unfair advantage to the Post. “[The Post] already has the advantage of using state-owned infrastructure,” he said. “We need to ensure that Postbank itself remains profitable and sustainable.”

In closing, panellists agreed that it was important for each country to develop its own model for financial inclusion, and to provide the appropriate political and regulatory support to enable the Post to make a meaningful contribution to serving the unbanked population. As Mr Goosen stated, “there is no blueprint for financial inclusion”. Strategies for financial inclusion must be country-owned to have real impact.

“Posts will have to sit down and do their homework. They cannot establish a conventional postal system that has been created 100 years ago... they won't be able to survive in the market. The market is too dynamic. [Posts] have to be innovative, to be new, to be radical...”

Mr Abukar Dahir
Legal and Policy Advisor to the Governor, Central Bank of Somalia
Development partners’ role in postal financial inclusion

In recent years, the development community has made a strong commitment to enhancing financial inclusion around the world. Mr Nils Clotteau, Partnerships and Resource Mobilization Expert at the UPU, noted that financial inclusion is being increasingly recognized at the international level as an essential component of development, and various stakeholders are beginning to acknowledge the potential of postal networks to foster financial inclusion. In this session, panellists discussed the need to scale up efforts to ensure that this potential is indeed realized. It was agreed that, while a change in mind-set within the postal community is necessary, the development community also has an important role to play in scaling up postal financial inclusion.
“When we first partnered with the UPU, we wanted to see the potential of postal networks, and we were really impressed. [...] Posts can be the partner of choice for digital financial service providers, as well as for other players in the private sector and development community.”

Ms Megan Oxman
Programme Officer, Financial Services for the Poor,
Bill & Melinda Gates Foundation

For Mr Massimo Cirasino of the World Bank, creating an enabling environment is crucial for postal financial services to flourish. He explained that, through the implementation of the General Principles for International Remittance Services, established jointly by the World Bank and the Committee on Payment and Settlement Systems, the World Bank was fostering the development of a sound, competitive and efficient market. Postal operators would therefore benefit from improvements to the payment system infrastructure, as well as from competitive market conditions. He challenged Posts to reconsider entering into exclusivity agreements with financial service providers, as this could have a negative impact on competition. Moreover, a key issue postal operators face is gaining access to the national payment system. “Even when access is granted, postal operators do not always know how to leverage that access,” he said. The World Bank can support postal networks by ensuring that access to the national payment system is indeed in place, and by providing advice on risk management, operations and business continuity for the Post.

From a rural remittances perspective, Mr Hans Boon, Postal Sector and Remittances Expert at IFAD, noted that improving access to remittances through postal channels could be a catalyst for enhancing other postal financial services and for scaling up financial inclusion in rural areas. This has been the focus of IFAD’s support to postal networks. Mr Boon discussed current projects being undertaken by IFAD, in partnership with the UPU, which have been aimed at strengthening rural remittance delivery through the Post. He said that the development community should support the creation of new financial products and services in rural areas. “But the scaling up of rural financial inclusion [will be] a multidimensional challenge for Posts,” he said. Overcoming this challenge will require continual efforts to share data, knowledge and best practices among postal operators. He added that by improving international cooperation and increasing the replication of best practices in different situations, the scaling up of financial inclusion through postal networks could be accelerated.

Ms Megan Oxman, Programme Officer with the Financial Services for the Poor division at the Bill & Melinda Gates Foundation, emphasized that moving to a more digital, cash-light model is essential not only for reducing the cost of financial services, but also for achieving greater financial inclusion. The division’s strategy is now oriented towards supporting the development of digital financial services, so that poor people can benefit from access to a wider range of services. “It was largely with the advent of M-PESA a few years ago that we realized the potential of moving to a digital world,” she said. Postal networks are vital for the success of digital financial systems, given the need for an extensive cash-in/cash-out network, especially in rural areas. Ms Oxman noted that the current partnership between the Bill & Melinda Gates Foundation and the UPU had changed her vision of the Post. “When we first partnered with the UPU, we wanted to see the potential of postal networks, and we were really impressed.” Posts can be the partner of choice for digital financial service providers, as well as for other players in the private sector and development community. She challenged Posts to embrace technology, to form strategic partnerships and to develop business models for financial services that are oriented towards the poor.
“Everybody wants to work with the Post... because you are a sleeping beauty. [The Post] has everything we want... location, customers, and the nostalgia of being the Post Office... The problem is while you were asleep, the world has changed, and you have to adapt to the times... It's time to make yourself attractive to donors.”

Mr Tillman Bruett
Programme Manager, Mobile Money for the Poor, UNCDF

Picking up on this point, Mr Tillman Bruett of UNCDF highlighted that, although various stakeholders were interested in working with the Post, few had a clear understanding of the postal sector and its role in financial inclusion. Mr Bruett challenged postal operators to take a very realistic view of their business, and to gain a clear understanding of the strengths and weaknesses within their network. “Start small,” he said. “Pick one or two ventures that you can launch, that will prove to yourself, and to the international community, that you can innovate, and succeed.” He also recommended that postal operators form partnerships in order to build internal capacity and expertise, as well as raise the awareness of the postal network as a partner of choice for financial and other services. As a final point, Mr Bruett recommended that Posts become more engaged in their communities. “[Post offices] should be the place where people get their money and spend their money.” Posts can therefore become an important link between development partners and the communities they want to help.

Participants highlighted that development partners could try to avoid favouring one delivery channel over another and provide support to all actors in financial inclusion, including the Post. The discussion then centred on the need for the postal community to publicize its achievements and to demonstrate to the international community that postal networks are important for financial inclusion. As Mr Bruett stated, “[donors] are not just going to write a cheque and say, ‘Go ahead.’” It is up to the postal community to prove that it should be the partner of choice for donors, development partners and other stakeholders involved in financial inclusion.
Closing remarks: a paradigm shift for the postal community

Never before has the postal community been able to gather together so many players to discuss a subject that is at the forefront of the development agenda, said Mr Pascal Clivaz, Deputy Director General of the UPU, in his closing address to the forum. The two days of lively discussion and intense debate established the legitimacy of the postal sector and the UPU as genuine players in financial inclusion. “Through the various examples highlighted, we have been able to confirm that Posts are capable of rising to the challenge,” Mr Clivaz said. The forum allowed the UPU and its partners, the Swiss Federal Department of Foreign Affairs and the International Organization of La Francophonie, to provide inspiration through the dissemination of experience, knowledge and best practices in postal financial inclusion. “Together, we have shown that we have the ingredients of a winning recipe,” he said. There is potential, but it requires increasing responsibilities and changing attitudes. Some concrete messages for the various stakeholders present at the forum emerged over the two days. In summarizing these messages, Mr Clivaz recommended:

“To governments, we say that now, more than ever, the Post can be a formidable tool for social and economic integration. Invest in your postal networks, and position postal services at the heart of your development and economic growth strategies. Let us not forget that the Post is a proven driver of the economy, as shown throughout history and as confirmed today.

“To central banks, we say act as partners, and create the conditions for Posts to become key players in financial inclusion. According to the World Bank in particular, we have been able to confirm that the Post is already the lowest-cost provider of remittance services and the leader in providing financial services to low-income, poor and rural populations. Posts are therefore capable of responding to the challenges of ensuring access to financial services for all.

“To our postal colleagues and friends, we say develop clear strategies. Through the wealth and diversity of approaches and views put forward, this forum has undoubtedly provided the elements necessary to build a solid financial services business. Although conditions differ from one continent to another, we have seen that every region brings successful experiences and solutions to financial exclusion. The models are promising, provided that continuity and sustainability are ensured.”

Overall, the discussions held in Geneva highlighted the need for a multi-stakeholder approach to promote financial inclusion and to respond to the needs of society in both developed and developing countries. The forum undoubtedly provided a platform for developing new partnerships and for establishing collaborative relationships that will strengthen the role of the Post in financial inclusion.
“The Post is now embracing a new vision. The way we talk is evolving. We speak of opportunity, of development, of economic models, and we now also identify ourselves as a driver and facilitator of financial inclusion.”

Mr Pascal Clivaz
Deputy Director General, UPU

Key takeaways

The forum provided several important recommendations for postal operators to enhance their contribution to financial inclusion. Three key messages stood out:

Share knowledge and experiences
By sharing data, lessons learned and best practices in postal financial inclusion, Posts will be able to develop suitable business models for financial inclusion. “[Posts] need to move from a ‘sleeping beauty’ and enhance the dissemination of knowledge and experience, so that we can accelerate the scaling up of financial inclusion,” said Mr Hans Boon of IFAD. The dissemination of knowledge is also important for academic research. Here, the UPU can play a coordinating role in collecting standardized data, evaluating the impact of postal networks on financial inclusion, and raising the awareness of the Post in the international community.
Form strategic partnerships
Posts do not have to enter the financial services business alone. Partnerships offer Posts the opportunity to learn how to manage new products and services; to obtain much-needed investment in infrastructure, technology and human resource capacity; and to raise the image of the Post in the community. For some Posts, offering financial services directly may be beyond their capacity. Partnerships with various stakeholders can enable Posts to be much more effective in providing financial services to the unbanked. At the global level, the UPU should also follow suit and launch partnerships not only with other international organizations for advocacy and awareness-raising purposes, but also with private financial sector actors for concrete activities.

Embrace technology
The world is becoming more digital. Posts will need to adapt to the times in order to ensure sustainable revenue streams and provide wider access to financial services to the unbanked population. While the Post’s extensive physical network has been an important source of competitive advantage, the trend towards more digital forms of financial services may threaten the Post’s long-term viability. It is important for Posts to innovate if they are to survive and, more importantly, if they are to make a meaningful contribution to financial inclusion.
Acronyms

AML/CFT  Anti-money laundering/combating the financing of terrorism
BIS      Bank for International Settlements
CGAP     Consultative Group to Assist the Poor
IFAD     International Fund for Agricultural Development
IFS      International Financial System
ILO      International Labour Organization
IOM      International Organization for Migration
ITU      International Telecommunication Union
NIBSS    Nigeria Interbank Settlement Scheme
NSIA     New Inter-African Insurance Company
          (Nouvelle Société Inter-Africaine d’Assurance)
UN       United Nations
UNCDF    United Nations Capital Development Fund
UNCTAD   United Nations Conference on Trade and Development
UPU      Universal Postal Union