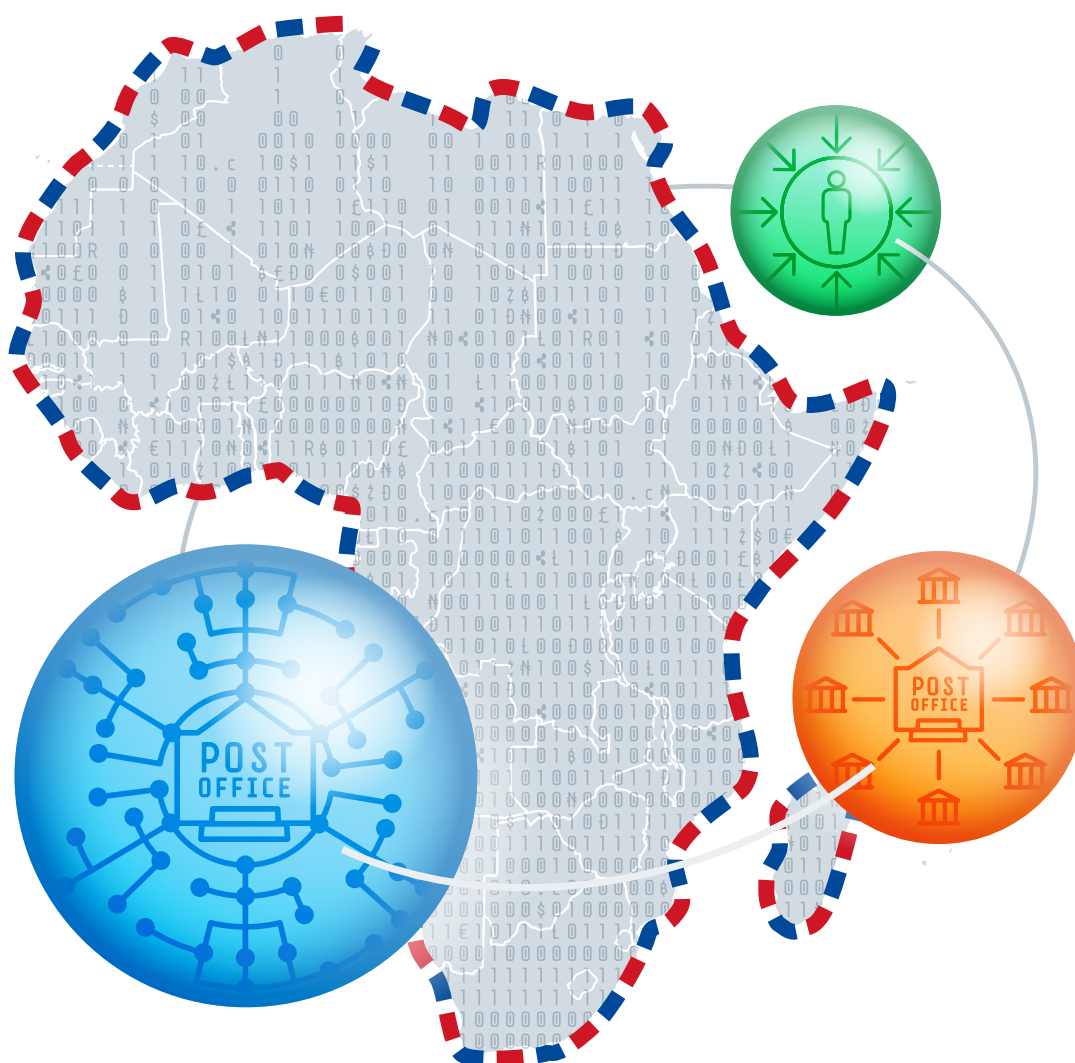


How post offices can leverage the impact of remittances

A set of working papers



Reaching the last mile

This set of working papers results from the outcomes of the African Postal Financial Services Initiative (APFSI), a unique broad-based partnership led by the Financing Facility for Remittances (FFR) of the International Fund for Agricultural Development (IFAD), 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). The joint goal of this regional programme, completed in 2018, 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. The APFSI programme was co-funded by the European Union (EU).

Further information is available at this link: www.ifad.org/en/apfsi



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ABBREVIATIONS AND ACRONYMS

AIR	African Institute for Remittances
AML/CFT	anti-money laundering/combating the financing of terrorism
APFSI	African Postal Financial Services Initiative
CENFRI	Center for Financial Regulation and Inclusion
CRM	customer relationship management
FATF	Financial Action Task Force
FFR	Financing Facility for Remittances
GDP	gross domestic product
GFRID	Global Forum on Remittances, Investment and Development
IAMTN	International Association of Money Transfer Networks
ICT	information and communication technology
IFAD	International Fund for Agricultural Development
IMTC	International Money Transfer Conferences
KYC	know-your-customer
MTO	money transfer operator
NPO	national postal operator
PAPU	pan-african postal union
PC	personal computer
PEP	Politically Exposed Persons
RSP	remittance service provider
SDGs	Sustainable Development Goals
UN	United Nations
UPU	Universal Postal Union
USO	Universal Service Obligation

GLOSSARY

Postal terminology

National postal operator (NPO)	The incumbent organization or entity
Post or mail	Letters, postcards, printed matters, small packages and parcels
Postal service(s) or mail service	The organization or system for physical transport and logistics of post or mail items
Post or post office	Retail outlet accessible for the public for services provided by the NPO
Postal network	The chain of retail outlets used by the NPO
P.O. box	A uniquely addressable lockable box located on the premises of a post office and rented to the user for receipt of mail items
Postal money order	A money order is a service and messaging system provided, operated and owned by the NPO whereby the sender pays the amount plus a commission at the post office and upon notification the recipient picks up the money at a post office
Postal financial services Postal banking	A range of basic financial services accessible at post offices of which the distribution is organized by the NPO
Postbank	A brand or trademark of a licensed financial institution for financial services distributed by the NPO via post offices (alternative brands are: postfinance, postpay, postcash, etc.) Name of a financial institution whose origin stems from links with the NPO
Post office savings bank (POSB)	Historic agency agreement between the Minister of Finance and the Postmaster-General to (i) collect small deposits via post offices and (ii) invest those monies in the state's treasury. In several cases this evolved into a separate institution
Universal Service Obligation (USO)	The NPO's regulated duty to ensure a certain level of availability, accessibility and affordability to a basic range of postal services

Remittances terminology

First mile	Sender's side: colloquial term related to the distance of the sender to the point of access to transfer a remittance
Last mile	Recipient's side: colloquial term related to the final leg of the transfer of money to be collected by a recipient
Money transfer operator (MTO)	A licensed business entity that provides and organizes money transfer services between agents in the first mile and agents in the last mile



Reaching the last mile

Designing the business case for remittances and money transfers via the post offices

EXECUTIVE SUMMARY

This working paper is designed to enable postal management to seamlessly set up remittances as a new line of business.

In many cases, this new line of business presents a unique opportunity to help migrants and their families reduce the costs of sending and receiving money. Post offices have a proven track record of being a low-cost channel to send money, for postal money orders often below 5 per cent, as indicated by Target 10.C of the Sustainable Development Goals (SDGs),¹ with a low cost to pick up, thanks to proximity.

An ever-increasing number of postal operators help boost competitiveness in the delivery of remittances.

An ever-increasing number of postal operators help boost competitiveness in the delivery of remittances. About 70 per cent of the post offices in the last mile of the developing world are turning into remittances supermarkets. In these post offices, customers can access remittances sent through a variety of regional and global Money Transfer Operators (MTOs). Money sent cashless via digital applications, cards or bank accounts, or sent via Mobile Network Operators (MNOs) to e-wallets. This approach not only promotes competitive growth, but also allows recipients to

compare prices and guides the sender in choosing the best option. In parallel, this approach also creates more business and revenue for the postal operator, especially for rural post offices where traditional letter mail is becoming extinct.

The post office as the supermarket for remittances is the basis for building a business case for a future where exclusivity agreements disappear, and competition is fair and transparent.

For the Post and other decision makers or regulators, drawing up an effective action plan should take no more than four weeks. Actual operations could start within three to nine months. Profits should begin to materialize within a year of operating, provided the business case adequately addresses the Post's needs, challenges and opportunities.

1/ SDG Target 10.C: by 2030, reduce to less than 3 per cent of the transaction costs of migrant remittances and eliminate remittance corridors for costs higher than 5 per cent.

This working paper provides guidance to quick-start remittance operations through a two-step approach. The first step consists of assessing whether there is a potentially viable business case for the national postal operator (NPO). If there is a prospective case, the second step provides guidance on how to organize the team, put systems in place and set up partnerships. The working paper guides NPO managers through a decision and preparation journey structured as follows:



Before spending weeks on preparations, this paper recommends a quick calculation checklist:

- What is the market size?
- How many cash-out points already exist?
- How does the existing cash-out infrastructure compare to the size of the postal network?
- What is the size of the potential market share based on relative distribution power of the postal network?

If this calculation is positive, Posts can then move forward with the preparation of a business plan. This includes the steps described below.

Set up a team. Many Posts are already active in the remittance market as it often represents a relevant business line. For any Post interested in expanding or launching this service to its business lines, it is recommended to start by building an internal team, use readily available information and knowledge, possibly attend a remittance conference and involve a practitioner as a mentor. Remittance delivery is a new line of business, not simply a one-person job.

Market research is fundamental. Designing an effective business requires an analysis of the current market and understanding of who and where the migrants or senders are in the first mile; who the recipients near post offices are; the possible partners to work with and what their products, promotions and conditions are.

Central banks license and regulate remittances. Remittances, or money transfers, are regulated by central banks and, as such, compliance with central bank regulations is mandatory. In most cases, starting as an agent of licensed MTOs or banks is the fastest and most feasible way forward. Toward this end, the selection process of partners and partnership-building are critical parts in setting up the business.

A standard business process requires quality. The actual business process to deliver remittances at the last mile is relatively simple and similar for most remittance products. It includes:

- basic standard technology, equipment, connectivity and security;
- staff training and management of tellers to keep them updated and motivated to deliver quality customer-centric services; and
- capability to pay out cash to recipients; this requires a centralized and full-time management and control of cash and liquidity, cash logistics and settlement with the MTOs or banks.

Delivering remittances can be part of the Post's strategy to contribute to achieve the SDGs as it opens avenues to advance financial inclusion and reduce transfer costs. Moreover, it can quickly and significantly diversify the Post's income.



1

INTRODUCTION

Today, post offices deliver more money than mail, especially in rural areas where most of them are located. The majority of postal clients live in rural communities or peri-urban areas many miles from bank branches. These users, among many others, consider post offices as part of the nation's social fabric and an intermediate access point to financial services.²

This working paper is designed as a guide for NPO managers looking for quick and effective ways to enter the business of delivering migrants' remittance transfers to the last mile. It provides the fundamentals of how to enable postal management to set up remittances as a new business line in a streamlined way.

Migrant remittances require a responsible and serious approach to business, because it involves handling other peoples' money often earned by hard work abroad, away from their family, and sent at high cost and for recipients whose daily life and well-being depends on receiving the money on time. It is a business regulated by the central bank or the financial regulator(s) in both sending and receiving countries, rather than postal authorities. Businesses must understand and comply with these rules – and obtain the proper license from the financial regulator – so as to avoid serious difficulties for the Post or its management.

Preparing a sound business case to deliver remittances to the last mile should not take a long time. Using this working paper, it should take no more than four weeks to prepare the Post and other decision makers or regulators for the necessary decisions to get started. Actual operations can start within three months, and never more than nine months; and profits should begin within a year of operations provided the business case is right.

The remittance business is a simple, straightforward activity, somewhat similar to the Post's historic service in delivery of letters. Although prior knowledge of remittances is useful, a business has more chances to succeed through an in-depth knowledge of the remittance market, as well as existing regulations and trends. This will ensure remittance families' buy-in of the services offered by the Post.

A successful remittance business requires, above all, an informed and efficient management.

A successful remittance business requires, above all, an informed and efficient management. As for any new line of business, it makes sense to think big but start small: first by testing it in a pilot or a few post offices, then taking lessons learned to grow further.

^{2/} Remittances at the post office in Africa, IFAD. www.ifad.org/documents/38714170/40194630/Remittances+at+the+Post+Office+in+Africa+-+Serving+the+financial+needs+of+migrants+and+their+families+in+rural+areas/7d3d7bd9-0652-44d9-bd07-d22d99f0c3c8.

2

DETERMINING WHETHER REMITTANCE DELIVERY IS A GOOD BUSINESS FOR THE POST

Before spending several weeks in elaborating the business case only to conclude that there is no feasible business, it is useful to perform a quick check to get a sense whether remittance delivery is a good business opportunity for the Post. This check requires a few steps:

- measure the market size
- identify market players and cash-out points
- count post offices
- calculate potential

Measure the market size

Market size is the most critical factor. To determine the market for remittance delivery in your country, check these data in publications of the financial regulator, central bank or national statistics office; or check and download the latest overview of the World Bank³ and download the data sheet regarding the inflows.

Open the data sheet. Find your country. Note the amount of flow in US\$ (dollars) and percentage of gross domestic product (GDP).

If there are no data for your country, or the flow as a percentage of GDP is less than 1 per cent, it is doubtful that remittances provide a good business opportunity. Flows should be at least 3 per cent of GDP; in about 10 cases in Africa, the flows are even above 10 per cent and can go up to 20 per cent of GDP.



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It is also recommended to check remittance flows that pass via informal or unrecorded channels (e.g. via family, relatives or underground operations), and the percentage of flows towards urban versus rural areas. If this number is between 10 per cent and 30 per cent of the total flow, then that is also a positive indicator.

Formal inbound remittances plus informal inbound remittances represent the total available market for remittance delivery to the last mile.

3/ www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data. This data sheet is updated regularly, so be sure to download the latest version.

Identify market players and cash-out points

Research the data on the currently active remittance delivery points. The source of information differs from country to country and often depends on the country's regulatory framework and agent requirements. This information may be included in statistical reports of the central bank or financial regulator(s), but not always. In some countries, such information is restricted to bank branches, bank agencies and foreign currency exchange offices. In other countries, there is more flexibility, and retailers (including small shopkeepers) can be active.

International organizations publish useful and relevant data on remittances, financial services and access points, especially in rural areas. Among others, these include IFAD, the World Bank Group, the African Institute for Remittances (AIR), Financial Sector Development Africa, Finmark, the Center for Financial Regulation and Inclusion (CENFRI), as well as the International Monetary Fund with its Financial Access Survey data, and UNCDF with its Making Access Possible surveys.

If there is not a statistical source available, the most practical way is to list the top three to five MTOs active in your country, and to check the lists and locations of published agencies. Table 1 provides the web links of the most prominent operators.

Table 1: Prominent MTOs

Operator	Website
MoneyGram	secure.moneygram.com/locations
MoneyXpress	www.xpressmoney.com/gl/eu/euen/find-an-agent.html
Ria	www.riamoneytransfer.com/ria-locator
Sigue	international.sigue.com/send-money-to-international-3
Small World FS	www.smallworldfs.com/small-world/nld/en-gb/loc/find-us
Western Union	locations.westernunion.com/
WorldRemit	www.worldremit.com/en/cash-pickup

To avoid double counting, check whether retailers provide agency services for several MTOs. The total number of cash-out points across the country can be considered as the available market, already served by competitors.

Count post offices

Determine the number of post offices, including sub-post offices and postal agents, and in particular those locations in neighbourhoods of migrant families, and equipped with a PC, notebook or tablet, small printing device, cash box, and connectivity. These are the post offices that meet most or all of the requirements to start delivering remittances at short notice. The total number of post offices can be part of the medium-term business plan. The income gained from the remittance fees acquired from the initial group of post offices can be used to upgrade the remaining group of post offices and to involve them in remittance delivery.

Calculate potential

Taken together, an understanding of market size, market players and number of post offices should be sufficient to estimate the business opportunity for remittances via the post offices.

Use the following formulae to calculate market potential:

- A:** current inbound flow of remittances in US\$ million
- B:** total cash-out points in the country active in delivering remittances
- C:** total post offices for delivery of remittances
- D:** average agent fee for cash-out

X = Potential market share in cash-out of remittances	$X\% = C/(C+B)$
Y = Potential flow in US\$ million via the post offices	$Y = X\% \times A$
Z = Potential new revenues in US\$ million for the post offices	$Z = D \times Y$

These calculations can be made for both the short term (one year) and the medium term (three to five years).

As an example, if (A) the recorded inbound flow is US\$1 billion p.a. and there are (B) 600 bank branches and agents for cash-out of remittances and (C) 400 post offices, then the (X) potential medium-term market share of the postal network could be estimated at as much as 40 per cent, or a (Y) flow of US\$400 million. If the average agent fee is (D) 0.9 per cent for cash-out, the remittance business would generate for the Post (Z) additional annual revenue of US\$3.6 million p.a. The average agent fee of 0.9 per cent was observed during the African Postal Financial Services Initiative (APFSI). In view of the ongoing competition, and increased usage of mobile payments, agent fees might decrease in the coming years, and subsequently costs of remittances would go down.

Potential market share (X) = $400/(400 + 600) = 0.4$ (or 40 per cent)

Potential flow (Y) = $0.4 \times 1,000,000,000 = \text{US\$}400,000,000$

Potential new revenue (Z) = $0.9 \times 400,000,000 = \text{US\$}3,600,000$ p.a.

The remittance business would then be generating an additional annual revenue of US\$3.6 million.

The remittance business would then be generating an additional annual revenue of US\$3.6 million. Such numbers might be achievable in the medium term (three years). In the short term (one year), a share between 4 per cent and 8 per cent should be achievable if business is effectively managed, marketed and operated, generating additional revenue between US\$360,000 and US\$720,000.

This estimate is reasonable as, for instance, several African postal operators have achieved such a market share based on leveraging the distribution power of their postal network. These operators include La Poste du Senegal and the postal networks in Algeria, Morocco and Tunisia.



3

PREPARING THE BUSINESS CASE

Once it is determined that remittance delivery is a viable business opportunity, it is time to craft the strategy and business plan for delivering money.

The following sections examine the main aspects of the business case, including:

- ecosystem
- regulations
- business models: agreements and partnerships
- client needs: priorities and perspectives
- marketing and sales
- operations and IT systems' needs
- cash management
- financial accounting

Business case preparation requires a serious effort. It can take 20 to 40 days of work within a two-month period. Although a business case can be prepared faster, doing so runs the risk of overlooking significant opportunities or issues. On the other hand, if preparation is taking more than a few weeks, it is a good idea to take a step back, review the scope of work, and potentially narrow the objectives.

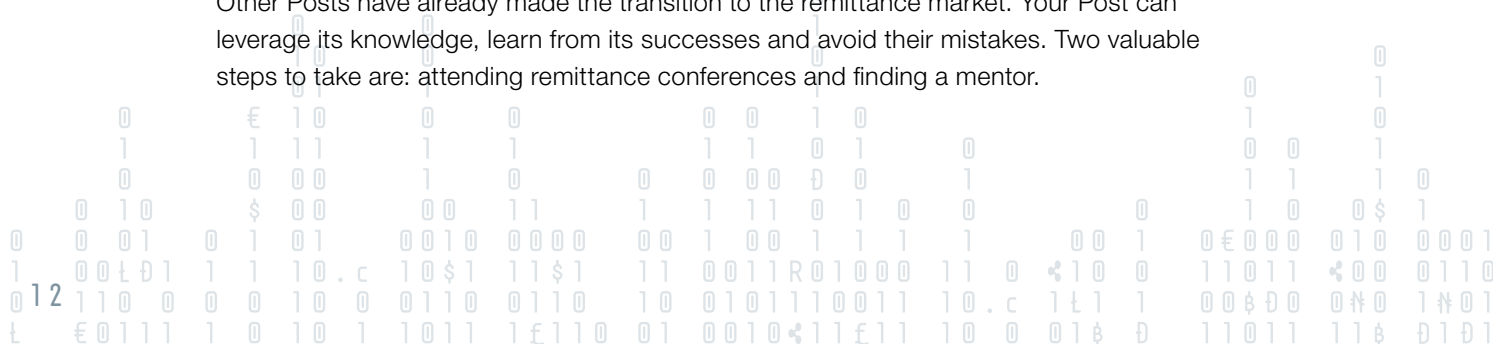
The APFSI programme found that the majority of Posts did not set up their remittance operations as a business, nor had they prepared or analysed the opportunity or the social, economic and financial impact. In some cases, remittance services were provided as usual, while in other cases, the inclusion of remittance services came about through incidental opportunities, such as external parties offering contracts to the Post. As such, it is useful to examine the cases of Senegal and Zimbabwe, which based their actions on a clear strategy.

Take time to prepare the strategy and business case

Refine plans, analyse market players and competitors; design the organization, technology and procedures; and understand the staff, training needs, contracts and financial plans. Preparation might benefit from a mentor or coach, such as the manager of a Post that already has a remittance business, a local network active in remittances, or the independent expertise of an international organization. The time spent is worthwhile in order for the Post's management to make an informed decision and to include it in the overall planning and budgeting of the Post.

Do not reinvent the wheel

Other Posts have already made the transition to the remittance market. Your Post can leverage its knowledge, learn from its successes and avoid their mistakes. Two valuable steps to take are: attending remittance conferences and finding a mentor.



Attend remittance conferences

Seminars or conferences on money transfers, remittances and/or payment systems are held frequently. Some of these are specialized and related to a specific technology solution or organized by a provider. There are a few organizations that provide fairly broad, industry-wide insight into the remittance industry. These include:

- **Global Forum on Remittances, Investment and Development (GFRID)** is organized under the aegis of IFAD's FFR, always in partnership with relevant organizations, such as – for the last three editions – the World Bank Group. It is a biannual three-day global event, bringing together key policymakers, regulators and players from the public sector and private sector. NPOs are actively represented in the speakers' list and participants (www.ifad.org/en/global-forum-on-remittances).
- **African Institute for Remittances (AIR)** is a specialized technical office of the African Union with the aim of assisting African Union Member States to maximize the economic and social impact of remittances. To date, there is no direct working relationship between AIR and the Pan-African Postal Union (PAPU), which is the African Union's Special Agency for Postal Services. AIR has frequent publications on its activities and organizes at least one conference per year (www.au.int/sa/air).
- **International Association of Money Transfer Networks (IAMTN)** could be considered the only international trade organization that represents the money transfer industry through remittance institutions providing cross-border payments across the globe. IAMTN organizes summits with a large number of MTOs and industry stakeholders (including representatives of Posts) (www.iamtn.org).
- **International Money Transfer Conference (IMTC)** organizes conferences in different regions of the world, bringing together MTOs, banks, regulators, mobile money operators and technology firms (www.imtconferences.com).

Additional information on upcoming events, including remittances, can be found in the *Making Finance Work for Africa* website (www.mfw4a.org) and on the Remittances Gateway (www.RemittancesGateway.org).

Involve a practitioner as mentor

While there is a wealth of literature and reports on remittances, sifting through all to find the relevant information can be time-consuming. Enlisting a coach or mentor to guide you on the spot through the process can be invaluable. The mentor might be an expert who has led or been involved in the set-up of remittance delivery via post offices, or has gained experience at a bank or MTO in setting up relationships with post offices for remittances and related payments and settlements. An expert can help speed up business case preparation as well as enhance its professional quality. The expertise is quite specific and scarce. In case the needs or requirements for the expertise are known, it could be useful to contact IFAD's FFR or one of the other international organizations active in your country in the field of migration, financial inclusion or payments systems for further information.

An expert can help speed up business case preparation as well as enhance its professional quality.

4

UNDERSTANDING THE REMITTANCE ECOSYSTEM

Remittances involve a significant number of players at home and abroad. It is important to gain an understanding of the different players in the money transfer business that make up the remittance ecosystem (see Figure 1).

Figure 1: Remittance ecosystem



The **sender** is the person sending the remittance. The sender is typically a migrant from your country working temporarily or permanently abroad, earning money to cover expenses and to send money home. Information on senders and their profiles is publicly available through resources such as the Ministry of Labour or Foreign Affairs (and embassies abroad), the National Agency responsible for Emigration, the National Office for Statistics and international sources about migration, including the International Organization for Migration (www.iom.int), IFAD and its FFR (www.ifad.org/ffr), among others.

The **sender's bank** is the bank that funds the remittance transaction. It does not mean that the sender visits a branch of that bank. The term is also used when the remittance is funded in cash at an agent location (e.g. post office) or by using cashless or digital payment instruments like debit cards, mobile money (e-wallets) or online banking.

The person receiving the remittance money is the **beneficiary** in the language of remitters, banks and payment systems. This person is also called the **recipient**, especially when the remittance is made in cash or when the receiver is the migrant's family.

The **beneficiary's bank** is the licensed bank where the remittance money is credited to an account held at that bank. The term is used when the transfer is made from account to account or from card to card, or from account to mobile wallet, or even from cash to an account of the bank with the instruction to pay out cash over the counter.

The **money transfer operator (sending side)** is the licensed entity in the sending country that is the legal owner of the transaction and is facilitating the remittance transfer.

The **sending bank and correspondent bank (sending side)** are the licensed financial institutions that the MTO in the sending country uses to aggregate the funds and distribute them via payment systems. Posts that are involved in sending remittances either as operators of postal money operators or as agents of an MTO or bank use the settlement services of banks.

Money transfers are directed towards an account of a bank in another country. The counterpart in the receiving country is either a licensed MTO or a bank. If it is an MTO, it will have an account at a **receiving bank** acting as a settlements and clearing service provider. Posts that are involved in disbursing remittances either as operators of postal money operators or as agents of MTOs and banks use the settlement services of banks.



A **payment service provider or payments processor** might play a relevant role if remittance senders use different payment instruments such as debit cards, e-wallets or online payment services.

ID verification, especially for the sender, is required to show proof of identity for money transfers. For transfers from an account, card or wallet, the ID verification (also known as **KYC** or **know your customer**) was performed at the time the account was opened. For other types of transfers, ID verification involves checking databases, blacklists and other information. Such verification requires a specialized service that not every bank or MTO has in-house. Frequently, a third-party service is contracted. Post office staff can check ID documents, but they also need access to such databases for the checks. Access requires that the NPO operate within the framework of the financial regulator.

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Agents, (sub-)representatives and affiliates are used on the sending side to on-board the transaction, and they are used on the receiving side to offload the remittance transaction. Agents operate under an agreement with an MTO or bank to represent the remittance services outside their own premises.

Worldwide there are more than 500,000 post offices that are currently active as agents for MTOs or banks. The exact term (whether agent, representative, sub-representative or affiliate) depends on the jurisdiction and the contract partners.

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Banks typically use the **payment network** within their country connected via the automated clearing house or national payments switch; they use SWIFT for cross-border payments. Depending on the national regulations and payments infrastructure, MTOs and post offices can utilize

various payment networks to route the remittance transfer. They might use a third-party network to settle transactions to countries where the MTO or post office may not directly be integrated.



5

PERFORMING MARKET ANALYSIS

There are two sides to market analysis: the supply side and the demand side. The supply side includes banks, MTOs and related organizations; the demand side includes senders and receivers (see Figure 1). Despite this seeming simplicity, these two sides require considerable thought when crafting a business plan. It is of particular importance to identify partners and the targeted customer base and to comprehend the needs of each.

Supply side

The supply side includes both ends of the remittance corridor. When crafting the business plan, consider each of the following questions:

- What are the main 10 remittance corridors out of the more than 192?
- Which MTOs, banks or others are active in sending through those corridors to your country?
- Identify the top 3-5 MTOs and the number of cash-out points. What are the key products and their conditions? What fees or commissions are applied? For information, it can be useful to check the sources and websites mentioned in Table 1 and the website remittanceprices.worldbank.org.
- What is the postal network doing in that ecosystem at the sending side?
- Are they active in sending remittances? If so, how do they send remittances? Check the website of the NPO, their product offering, annual report or UPU statistics, or directly contact the person responsible for remittances.
- How are the remittance services advertised and promoted?
- Do advertisements refer to cash-out points in your country?
- How visible are the cash-out points of the various service providers in your country?
- Where are the cash-out points?
- Are cash-out points limited to bank branches and foreign exchange offices or are agents involved?
- Are these cash-out points neighbours of post offices or are post offices located in other places where access to cash is not provided by others?
- What are the working hours of the cash-out points, and how do they compare to those of post offices?

Demand side

The demand side includes the sender who pays and the recipients (beneficiaries) who may ask the sender to use a certain supplier, MTO, channel or payment instrument. When crafting the business plan, consider each of the following questions.

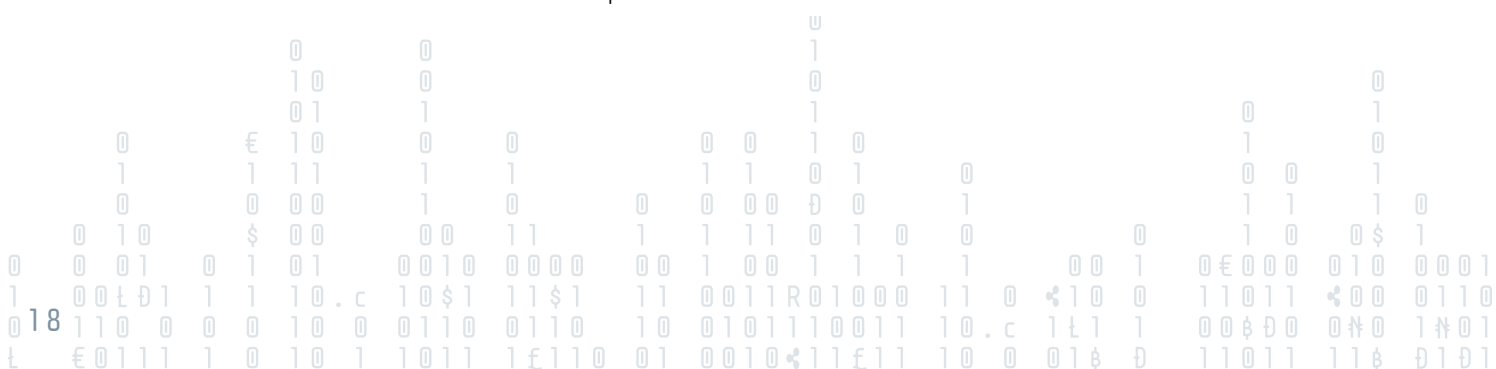
- Where are the potential migrant customers?
- In what countries/regions are they working? (e.g. cities or rural areas)
- In what industries are they working? (e.g. IT companies, construction, cleaning, farming, transportation)
- Are they full-time or seasonal?
- From the receiving side, how can your Post reach these migrants?

- Are migrants organized in associations, around churches, clubs, community centres, shops, schools?
- Do the migrants sometimes travel back home? If so, how?
- Do migrants visit your embassy or consulates?
- Are there social media connecting migrants with the home country?
- Where are the beneficiaries living and working?
- How close are post offices located to these places?
- How do beneficiaries get the remittances now (and why do they get them this way)?
- In cash, in foreign currency, on mobile, e-wallet or via card?
- Do they get cash quickly or must they wait in queues at banks?
- How do recipients use the remittance money? For immediate consumption, for periodic payments (e.g. rent, utilities), for health care?
- Do recipients save a portion of their remittances?
- What is the current usage level of the post office?
- How many visitors per day/per month?
- How do recipients perceive the post offices?
- Do recipients frequently visit the post offices for other services (e.g. for social payments, or for paying bills, or depositing small savings)?

After examining both the supply and demand sides, the following fundamental issues should be clear and should become part of the business case.

- Total inbound remittance flow
- Key migration communities abroad
- Main remittance corridors
- Flows per corridor
- Key players at the sending side and their conditions
- Role of the post offices at the sending side
- Remittance delivery
- Primary players (banks, MTOs, mobile, agents)
- Receiving money: where, which working hours, how long it takes, how much it costs
- How the beneficiaries are and how they use/spend the remittance money
- Which currency beneficiaries use
- How much money beneficiaries save/invest and how
- How do post offices fit into this ecosystem, and how deep/broad is the fit?

Taken as a whole, this information should result in a more precise and refined assessment of the opportunity. It should reveal a strategy for corridors to exploit, partners to enlist, prices and commissions to charge, potential incomes, service providers to use, and a means to differentiate from competitors. Ultimately, the answers to these issues become the action plan.



6

ADHERING TO THE LEGAL AND REGULATORY FRAMEWORK

The movement of money is a regulated business within the financial sector, and these regulations also apply to the Post. Therefore, it is critical to understand these rules; and, as they can differ from region to region, it is recommended to first consult with the national regulator(s) or your legal counsel. The central bank is typically the primary supervisor of remittances.

Operating outside the regulatory framework will clearly limit the envisaged business opportunity, and doing so may be considered criminal activity. At a minimum, it can cause a dramatically negative impact on the Post intending to be a reliable and trusted public service provider. Posts operating as a state-owned entity could seriously damage its image. As such, no Post should even consider operating outside of the established rules.

There are several levels of regulations. On the global scale, the international financial institutions (especially the Bank for International Settlements of the World Bank) have agreed on principles and guidelines for remittances, and also for payments systems and financial inclusion.⁴ It will be useful to take note of these principles and their applicability to Posts and post offices.

Each country has its own specific financial regulations on how (and whether) the Post with its post offices can deliver remittances. Applicable regulations can include law and/or regulations on payments, payments instruments, institutions, operators, agents, etc., law on banks/banking, law on the Central Bank/financial regulator, law or regulations of foreign currency exchange, regulations on anti-money laundering, on consumer/data protection, transparency of conditions, and on matters such as e-money or e-wallets, e-banking as well as a law of postal services. Relevant regulations depend highly on the type of license needed.

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remittances.

The types of license most often seen for Posts active in remittance delivery are:

- **Agent of a licensed bank.** In general, the license of a bank includes the provision of money transfer or remittance services, foreign currency exchange in cash and via accounts, as well as the qualification for membership in national payment systems, or automated clearing houses and SWIFT. A licensed bank can also be the representative of an international MTO within that country. Licensed banks can subcontract agents, which need to meet certain staffing, operational, technical and security conditions. The bank remains responsible for the

^{4/} General Principles for International Remittance Services, *Bank for International Settlements (BIS) and the World Bank*, 2007. www.bis.org/cpmi/publ/d76.pdf

compliance of the agents. Dependent on the national legislation, the post offices act as agents. This relationship can be formalized through an agreement with the NPO, or through a competitive bidding process organized by the NPO to enter into one or more agency agreements. Under this licensing model, the post offices can provide remittance services, other payment transaction services and access to other financial services.

- **(Sub-)representative of an MTO.** Being a representative means having a contract between the (international) MTO and the NPO to provide the remittance services of the MTO. The NPO needs to organize the payments and settlement services for the flow of funds and the conversion of currencies. In the case that the NPO is not a financial institution or member of the interbank payment system, the NPO needs to select another party to provide the clearing and settlement services. If the MTO already has a bank appointed as representative, this representative can subcontract others to sub-represent their services. The sub-representatives operate as a payment agent, and the representative or bank remains responsible towards the regulators for compliance and risk management. The most common model for African post offices is to be licensed as a sub-representative.
- **Mobile money agent.** Mobile money agent licensing has gained wide popularity, and it is an effective mechanism for delivering remittances in the national currency. Typically, it is a simpler version of the agency banking license. The technical requirements mainly refer to online connectivity via a mobile device and a cash register or cash accounting equipment, which can be connected to the mobile device. In some countries, mobile agents may be supervised by the financial regulator (e.g. central bank), the telecom regulator, the postal sector regulator, the information and communication technology (ICT) business regulator or some combination of these agencies.
- **Bureau de Change or Forex Bureau.** This type of license is most often issued for each location (i.e. one license per post office). It sets requirements for the exchange of the national legal tender and foreign currencies, the publication of the rates and commissions, and, in many cases, it allows the Bureau to pay out remittances. When there is a demand for payout in foreign currency, there can be a good business rationale for such a license.

Licenses such as MTO or remittance service provider (RSP) require so much more effort that they are in general not within reach of a Post starting with remittances, unless the NPO already has a licensed bank in its group structure.

In addition, postal laws or regulations in many countries allow the Designated Postal Operator to operate international postal money orders as part of its universal service obligation for postal services. In some cases, postal authorities interpret this rule as if the Post is exempted from the requirements ensuing from the financial sector regulations. To avoid misunderstanding or surprises at a later stage, Posts should seek clarification and coordination between the involved regulatory agencies at the earliest stage possible.



To select the appropriate license as agent, MTO or RSP, the following issues should be taken into account:

- **Meeting the established capital requirement.** Capital requirements for remittances can range from zero to an amount related to the average daily flow. The amount is typically a specifically defined amount, but it can be hundreds of thousands or even millions of US\$. For most Posts in developing countries, the license that requires no initial capital (i.e. agent) is usually the most feasible and realistic option.
- **Type of remittance service.** It is simpler to provide remittance delivery only. Sending money requires considerably more work in terms of anti-money laundering/combating the financing of terrorism (AML/CTF) and in business processes. Likewise, it is best to start with national currency only as remitting in foreign currencies can bring significant cost, risk and complexity.
- **Business model.** Remittance services can be provided as an agent of a bank, or as (sub-)representative of an MTO or payments service provider. In some cases, Posts consider setting up their own operation within the Post, and to link it with banks overseas for payments settlement. That might be a good ambition, but the licensing of the operation, the organization and relationship-building with foreign banks and the Post is a daunting challenge. For new businesses, the agent model



can be organized relatively easily and quickly, while the own model takes time and involves more risk.

- **Governance and procedures.** The governance model and the internal procedures in place for the management of the money differ per model. In the case of agency agreements, the model and procedures are predefined by the contractor (bank or MTO), who is responsible for compliance with the regulations. In the case of a proprietary and own managed/operated remittance service, the model and procedures need to be prepared by the Post, approved by the regulator and then implemented. As such, the own model takes additional time over that of an agent/representative agreement.
- **Representation and management.** Regulators and contractors require that the persons in charge (key management and representatives of the owner or shareholders) are trained and competent in the field. In many cases, they will be invited to pass a “fit and proper” test. Moreover, in view of AML regulations, persons who are considered to fulfil a publicly prominent position can be on the list of Politically Exposed Persons (PEP). Financial regulators and institutions consider such persons a higher risk.

Know-your-customer and anti-money laundering rules

KYC rules can be summarized as the need to identify any client who wants to send or receive remittances. This is an essential part of the regulatory framework.

KYC rules are determined by the Financial Action Task Force (FATF) recommendations. FATF is an intergovernmental body established in 1989 that sets standards and promotes effective implementation of legal, regulatory and operational measures for

combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. FATF is a policymaking body that works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

FATF has developed a series of recommendations that are recognized as the international standards for AML/CFT and the proliferation of weapons of mass destruction.

These recommendations are interpreted and transposed in national jurisdictions by each country’s own financial regulator, and they can vary from one country to another. Some examples:

- Most countries require proof of nationality, citizenship or residence, or a government-issued ID to send or receive a remittance; however, the details might differ. There can also be differences on whether the proof needs to be shown at every transaction or whether it can be replaced by a card with machine-readable information.
- Some countries require proof of address (i.e. proof that the sender or recipient is registered as inhabitant at a certain address). Such proof can require the extract from a public register, or presentation of a bank account statement, or a utility bill in one’s name. Providing such documentation can be challenging for seasonal workers, unregistered labourers, travelling trade representatives, refugees and others.

KYC rules are determined by the Financial Action Task Force (FATF) recommendations.

- Some countries require that the source of the money (e.g. income from labour) is shown or that the purpose of the transfer is explained (e.g. support to a relative or friend).

These regulations are meant to prevent money transfers from being used to launder money and/or finance terrorism. As a public-sector institution, post offices bear a serious responsibility in such matters.

NPOs must strictly adhere to established AML and KYC rules, but they must also have their own programme in place. Requirements for such a programme may include elements from the following list:

- Appointing one or more compliance officers
- Providing an AML manual and training for staff
- Employing a money transfer system that includes each of the following as an automated check:
 - real-time monitoring against government blacklists and those of MTOs
 - monitoring for suspicious transactions
 - real-time teller alert and customization of compliance procedures in case of suspicious activity
 - maintaining accurate record-keeping per transaction (often for at least five years)
 - establishing transfer limits (per transfer and for accumulated periods of time, e.g. per month)

Even with such precautions in place, lawbreakers may find ways around these methods. Examples of suspicious transactions are:

- Transactions performed by people on government blacklists
- Transactions designed to avoid the maximum transfer limit, such as:
 - breaking up the transfer into small amounts
 - spreading the small amounts of the transfer over several days
 - using different IDs by one person at different locations
 - involving “mules” (i.e. different people acting as aides) to send small amounts of money to the same group of beneficiaries
 - using different payment instruments (cash, mobile, prepaid Internet vouchers) to send the money

As lawbreakers are swift in inventing new practices, AML and KYC regulations are becoming increasingly stricter. Failure to conform to them can entail strong sanctions imposed on the NPO, including shutting down all operations related to money transfers.



7

BUILDING A TEAM

Remittance business with a serious commitment to achieve market share and profit is a full-time commitment. It is not just another additional service. It should be considered a vital part of the Post's core mission to reach out with universal access in the last mile to anyone, including the poor, rural families.

Given the relevance of the business opportunity, it is a prerequisite that the set-up of the new business finds a champion at the executive level, the Chief Executive Officer or director-general, with a deputy director general or director taking care of the preparation of the business case and acting as the project manager. The preparation of the business case is the perfect moment to start building a team. That team can be seen as the future management team of the business line with growth perspective. Table 2 discusses the functions or disciplines that should be brought together for the team.

Table 2: Team roles and responsibilities

Roles	Responsibilities and tasks
Commercial	Business development, marketing, relationship with MTOs and banks; advertising through the postal channels
Legal	Contracts, agreements, legal compliance
Organization	Internal structure for a central unit to manage the remittances at the post offices; internal coordination and retail management
Personnel	Staff training, motivation and incentives
Accounting	Transaction reporting, compliance and control
Financial	Cash and liquidity management, risk management, clearing and settlements with MTOs and banks; financial planning, budgeting and control
ICT	Software implementation, interoperability, connectivity for data exchange, cybersecurity; ICT compliance
Technical	Technical facilities including alarms, cash boxes, vaults and cash logistics facilities

The challenge is to build a project team committed to work together to drive the business plan towards implementation and success.

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8

SELECTING PARTNERS

The best business strategy for NPOs is to contract institutions licensed to operate and manage money transfers. However, when it comes to forming partnerships, there is no “one size fits all” in the remittance business. NPOs need to think what type of business partnerships work best for them, taking into account their business goals, regulatory environment, remittance experience, IT infrastructure and human resources, among others. Profitability must be a key business driver; therefore, the NPO should ensure that its selected partners offer a quick, safe and competitively priced service that will be attractive to the remitter and recipients. In view of the General Principles for Remittances,⁵ NPOs must avoid exclusive contracts. However, it is also not feasible to sign up with many partners at once, unless it is offered as a package solution.

Opting for a phased approach in selection and implementation of partnerships is the most effective way to move forward. As an example, begin with one MTO; pilot the plan in 5 or 10 post offices; and after three months commence the roll-out. Once that process is effective, a second MTO can be selected and the pattern repeated.

When selecting a partner MTO, the primary consideration is between price and volume. While a smaller partner may provide a higher commission, it may not generate a sufficiently large volume to cover the initial expenses and costs. If there is doubt about the potential profitability of the partnership, the NPO should not consider it as a priority. Many African NPOs have initial agreements with the world’s largest MTOs, and once business is mature they expand to partner with smaller MTOs. Choosing a larger MTO can also be a market entry strategy, in that the partnership helps to build credibility, increase public awareness of the services, gain volume, and especially to gain experience and future negotiation space.

When selecting a partner MTO, the primary consideration is between price and volume.

MTO selection should also consider the partners’ linkages to:

- new transaction corridors
- financial products (cards, savings)
- diaspora organizations abroad
- foreign postal networks

Multiple partnerships become more effective once the NPO:

- has gained experience in the remittance business and built a profile as a credible, reliable agency network
- has a strong negotiating position from brand reputation and network coverage

Multiple partnerships may result in increased revenues and profitability. Nevertheless, it is good to assess the advantages and disadvantages of increasing the number of partnerships.

5/ World Bank and BIS. 2007. General Principles for International Remittance Services. www.bis.org/cpmi/publ/d76.pdf

Table 3: Advantages and disadvantages of multiple partnerships

Advantages	Disadvantages
Better coverage of the sending countries	Requires more management capacity and focus
Opportunities to diversify products and customize them to clients	Needs more staff training for different products and systems
Higher transaction volumes means increased revenues	More challenges in liquidity management

Negotiations

When entering into contracts, NPOs should consider the following rules of thumb:

- The larger the MTO, the harder the negotiation; large MTOs usually have an already-established network in your country as well as a local representative; consequently, they want to dictate the relationship terms as “standard” ones.
- Small MTOs generally are more eager to sign new partnerships to expand their network rapidly and therefore are more willing to negotiate commissions, settlement terms and other contractual aspects.
- The larger the NPO’s network and potential market share, the more negotiation room exists to leverage for terms and conditions.
- The interests of MTOs and NPOs can be in harmony or in opposition (see Table 4), and these should be taken into account in any negotiations.

Table 4: MTO interests versus NPO interests

MTO interests	NPO interests
<ul style="list-style-type: none"> • Good and extensive agent network • Lowest commissions possible • Post-payment settlement • Secure, fully licensed operations • Good IT infrastructure: real-time payment • Demonstrated financial performance • Large foot traffic of clients • Client-friendly staff and a call centre • Trust and transparency 	<ul style="list-style-type: none"> • Good and extensive postal network • Highest commissions possible • Pre-payment settlement • Secure, fully licensed operations • IT and marketing support • Demonstrated financial performance • Increased volume of transactions • Strong brand reputation • Trust and transparency

Aggregators

The challenges in partnership-building and negotiations with multiple MTOs might be less complicated if an aggregator can offer a ready-available package solution of contracts with multiple MTOs, and other payment service providers, connected to the NPO through one technical interface and one settlements account. If a ready-available supermarket solution exists and is accessible to the Post, it can expedite the process.

Social value of partnerships

Cash-to-cash is still the main method for money transfers, but through strong partnerships remittances can be leveraged for productive investment, giving the senders and beneficiaries: (i) faster and cheaper money; (ii) more opportunities to become banked and financially included; and (iii) a financial relationship with the post office.

9

MARKETING

This chapter develops the key features of the remittance customers and the ramifications in terms of marketing in order for the NPO to assess the readiness of its marketing tools and anticipate necessary adaptations to cater to remittance customers.

Client needs and perceptions

A good remittance product has to be attractive and offer value for the client. The selection and design should therefore be based on analysis, first by focusing on the needs of the client and second by making sure that the product offers relevant benefits to the client.

For remittances, there are different needs at the sending side and the receiving end (see Table 5).

Table 5: Remittances' most valued features to senders and receivers

Sender	Receiver
<ul style="list-style-type: none"> • Transfer speed • Security/trust • Cost (transparency in price, all-inclusive fee, clarity in which currency type and how much of that sum will be paid out) • Easy access to the payment location including for the relatives at the receiving end • Ease of use (little to no paperwork) • Some control or information over who receives the money at the other side and how it is spent 	<ul style="list-style-type: none"> • Easy access to the cash-out location (proximity, no queuing) • Ease of use (little to no paperwork) • Cash available at the payout location and a preference to receive the money transfer in cash, and in the currency stated • Confidentiality or privacy

Remittance clients are price-sensitive, but proximity, convenience, speed and security are often even more important to them. These qualities may explain why certain costlier remittance services continue to be successful even though competition is increasing.

Market studies are key to understanding client needs

An independent market study provides insight on the profile and needs of the clients. It is risky to base the business plan on own insights only, which are likely to be far from complete or objective (i.e. a client's needs and perception of the post office). This relationship needs to be taken into account when developing remittance-linked products in order to offer an attractive product with value to the client. For example, product features such as transferring to accounts for family members or to savings or insurance products can be important product features, but also "non-product" changes such as longer opening hours and renovated post offices.



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During the APFSI programme, extensive market research was conducted.⁶ The methodology for such a market study can be replicated in most African countries; moreover, it makes sense to conduct such research periodically to keep abreast of changes in market conditions and to obtain independent information about the clients' needs and perceptions, especially in comparison with competitors.

Product design: a good product offers value

Product design is important. However, when the Post is acting as an agent, the products may have already been designed, and the Post has little room for modifying it. Hence, selecting the right partners offering the best suited products is key.

Marketing and communications

Marketing and communications for the remittance service industry include the messages (and media used to convey those messages) that promote remittance services to the market.

NPOs have a historic role in society for communications to every part of the country and every section of the population. In spite of this role, most Posts in Africa undertake little advertising and promotion of their institution, brand and services. In today's ecosystem with all its digital channels and social networks, Posts need to put more effort into image-building, mass communication, content marketing, social networks and promotions. MTOs, on the other hand, tend to be very good at marketing and

6/ Baseline Survey on the Use of Rural Post Offices for Remittances in Africa. IFAD (2015). www.ifad.org/documents/38714170/40187194/baseline_postal.pdf/793f956f-2756-454f-b95b-45e3c0426d1b

communications. NPOs could benefit from joint marketing or joint promotions with MTOs and with NPOs.

Challenges

Marketing remittance services can be challenging. Some specific hurdles include the following:

- Money transfer products and agents can all look the same to potential customers. The post office must distinguish itself (possibly through proximity, opening hours, better service, more MTOs, reliability).
- How can the sender be persuaded to choose one MTO over another? How can the recipient be influenced to tell the sender to choose a certain MTO? Possible answers include: the money can be picked up at the post office; more money can be received because of lower commissions; better exchange rates.
- How to target the right clients? Who really prefers to go to the post office?
- How best to explain the available services? The financial literacy of clients can be limited, hampering them from making a well-informed choice on remittances and other products (e.g. savings accounts). What can the NPO do with a public financial education campaign?
- The link between sending and receiving sides must work flawlessly; this becomes more complicated when it is not only cash-to-cash but also involves cards, mobile or client accounts.

Even when marketing and communications are well managed, other aspects of the process can be problematic. The following are some examples of risks that are ancillary to marketing but can become significant:

- Printed media, posters or brochures are piling up in a room at the General Post Office or a regional post office, somewhere, and no one manages and controls the distribution and publication, and (after a period) the removal. This is a task for the postal staff to take care of.
- Products are advertised using the wrong pictures or wrong words because the design was produced abroad without having the local flavour. Postal staff need to participate in the design of communications products.
- Product is advertised in the wrong media, not reaching the typical post office clients.
- Product is advertised, but the postal staff is unaware of the advertising or product.
- Product is widely advertised, but it is not available in the post offices.
- Product is too broadly advertised, while the product is still in pilot phase.

A systematic approach: Communication planning and briefing

An effective approach is to use a communication plan to describe your campaign, or part of the campaign, together with the MTO. Such a briefing should also be shared with the participating advertising agencies. Typical elements of a communication plan include the following:

- identify the target customers
 - at the sending side (together with the overseas NPO and MTO)
 - at the receiving end (together with the MTO)

- state the communication objectives in quantitative, measurable figures
- increase in (spontaneous) awareness or knowledge of the service at the post office
- change of attitude – building a preference and trust
- change of behaviour – making use of the service
- explain the core message/proposition (what do you want to say to the target groups?)
- make sure it is relevant for the target customers
- make sure it is distinguishable from other providers (be different!)
- identify the communication media, means and channels to use (the detailed media plan)
- state the timing requirements
- start date
- design
- pre-testing
- duration and strategy
- post-testing and measuring results

Promotion

It can be difficult to promote a new product or service. The following are a few ideas for promoting remittances:

- offer a few remittance transfers at no fee (first transfer at no charge, or one transfer out of every five, free of charge on special national holidays)
- give a bonus if remittance money is deposited in a postal savings/payments account
- send a thank you card or message back to the sender
- door-to-door leaflets delivered by the letter carrier
- social, small events at post offices where people can receive remittances (e.g. tea and cake and music)

An effective approach is to use a communication plan to describe your campaign, or part of the campaign, together with the MTO.



10

UPDATING BUSINESS PROCESSES AND TECHNOLOGY IMPACTED BY REMITTANCES

Many business processes⁷ can be affected with the introduction of remittance services. In particular, each of the following should be considered in anticipation of the launch of remittance services:

- The payout process is typically the most impacted, especially when it concerns cash-to-cash.
- The IT system needs to be adapted and enhanced to include the application to support the front office for the payout process.
- Tellers have to be informed and trained, especially when they lack facility with using computers.
- AML rules have to be applied.
- When one person sends or receives large amounts on behalf of a group, the amount may be higher than AML limits. This transaction has to be tracked and reported. For the payout of remittances, an ID must be shown. However, some African countries have a problem with many false IDs in circulation. If no adequate biometric solutions are in place, a solution can be to request two or more IDs to double check or other evidence (bank account statements). This, however, limits the fast delivery of remittances.

As an example, in view of preparing or streamlining existing business processes, a typical standard operating procedure for cash-out payment of remittances sent from abroad via MTOs is shown in Table 6.

Table 6: Standard operating procedure for cash-out payment of remittances sent from abroad via MTOs

Involved staff or unit	Activity	Description
1 Sender	Message to recipient	Remittance sender informs the recipient of a money transfer sent. The information includes the transaction number, date and time sent, the amount and currency. If the sender has used a digital or mobile application to send the money, then the recipient may also get a message from the MTO with the details of the transfer.
2 Recipient at post office	Request for pick-up of cash for remittances	Recipient goes to the post office nearby and presents at the post office desk his ID, number of the money transfer, amount and name of money transfer system.

^{7/} A business process is any set of activities and tasks that produce a specific service, product or other result. It can be replicated for similar operations. It can be visualized with a flowchart as a sequence of activities with decision points.

Involved staff or unit	Activity	Description
3 Teller at post office with front office software application and equipment	Processes the cash-out payment	<p>The process for cash-out of the remittance includes the following steps taken by the teller at the desk or counter of the post office:</p> <ul style="list-style-type: none"> (a) receives recipient's request (b) inputs the amount, transaction number and name in the terminal application (PC or tablet) at the front office desk (c) verifies the existence of the money transfer in the system based on recipient's number and name; checks and compares the ID or name with the personal details stated in the system (d) waits for response of front office application connecting to the system of the MTO for authorization of payment and amount to be paid (e) receives green light or OK message from MTO for payment (f) prints the payment transfer form with transaction number, name and amount on the receipt and receipt confirmation (g) takes money from the cash drawer and counts the money in front of the recipient (h) recipient confirms for receipt, by signature on receipt form (i) hands the money and the recipient's part of receipt to the recipient <p>Once the transaction is completed, the teller confirms to the automated money transfer system the payment of the money transfer. The signed form of the paid money transfer is handed over to the controlling person in the post office for subsequent transfer in the daily archive in accordance with the internal administrative procedures of the Post and as data entry for the Post's accounting systems.</p> <p>If the automated system of the MTO responds to a request for cash out that there is no such money transfer, then the recipient is informed by the teller about this. The recipient can be requested to check or correct the transaction number or, e.g., spelling of the name of the recipient. If the system continues to decline the existence of the money transfer, the recipient needs to be advised to directly contact the sender for further information.</p>
4 Front office software application	Messaging with back office system of MTO	<p>The above transaction at the counter is supported by an ICT system that:</p> <ul style="list-style-type: none"> (a) checks for payment authorization via the front office application at the post office desk instantly with the MTO systems (b) the MTO system gives to the front office application at the post office a signal or message for authorization for payment of transfer with print order of the payment form/remittance notice (c) receives an automatic confirmation of payment of the money transfer, after confirmation of payment by the teller at the post office; in some cases, this includes the scan of the signed cash receipt by the recipient
5 Back office application Accounting system of Post	Messaging	<p>The ICT system also includes information and data for the Post's accounting, especially for its cash management.</p> <p>These steps are usually ones that the teller performs via the front office system, which sends data and:</p> <ul style="list-style-type: none"> (a) confirms cash withdrawal to financial management/cash accounting (b) confirms payment made to MTO (c) includes information on payment to the operational archive

Involved staff or unit	Activity	Description
6 Financial management		<p>The electronic data received in the Post's accounting system then record the following entries:</p> <ul style="list-style-type: none"> (a) cash-out at post office (b) add to Settlement (clearing) between MTO's bank account and NPO's bank account (c) payable commission for service rendered to MTO

Other considerations

Exceptions	<p>The above description of the process presents the main steps of the Standard Operating Procedure for Cash Out of Remittances. There can be exceptions to the standard procedure and most likely these exceptions concern the following:</p> <ul style="list-style-type: none"> (a) For cash-out payments: limits are applicable per transaction and set by the NPO for that post office in agreement with the MTO. The maximum amount of one transfer must be controlled by an automated system. If the amount of the remittance exceeds the limit set, it means that additional or exceptional measures are needed, both in authorization and in paying out the cash. It can be that the recipient cannot be served at that particular office, or needs to receive the cash in a separate room to enhance the privacy of the client, or needs to involve an additional postal staff member, e.g. assisting in double-counting the cash. (b) If a recipient expects to receive a large amount, the client could be recommended to notify one day in advance the post office or via a call centre of the NPO in advance because the NPO cannot warrant to always have sufficient cash available. (c) Cash-out payments for received remittances can be made in general in the national currency only; there might be an exception for specific post offices to pay out in selected other currencies. (d) The operation of a foreign currency booth inside a few selected post offices is a separate function and business process; the exchange rate for currency exchange is established by an NPO's partner bank.
Forms	<p>The receipt form has two parts: one for the remittance recipient and one for the teller who can scan and enter this into the front office application with signature of the recipient if required.</p>
Reports (digital)	<p>Cash-out remittance operations are entered into the Post's accounting and information systems. Typical reports used within the Post include:</p> <ul style="list-style-type: none"> (a) transaction reports of the post office or postal desk (b) transaction report to the Post's product manager who maintains the relationship with MTOs (c) transaction report to the treasury or cash management department of the Post (d) transaction report to accounting department of the Post
Post office without front office application	<p>This service of cash-out of remittances sent via MTOs is in principle not provided in non-computerized post offices or via delivery by letter carriers or postmen. Exceptions can be made if these persons are equipped with mobile devices.</p>

11

MANAGING THE PAYOUT PROCESS – LIQUIDITY AND CASH MANAGEMENT

Liquidity and cash management is particularly relevant for the payout of cash-to-cash remittances, and it is a critical success factor. If a post office does not have money available for payout, it negatively impacts on the perception of the NPO's reliability, making it unlikely for a receiver to return. It is deeply frustrating for people who badly need money to hear "come back another day".

Liquidity monitoring and planning process is thus essential for the remittance business.

It needs to include:

- post office teller and branches monitoring cash levels on a permanent basis (ideally on an hourly basis, and at least at opening and closing of the post office)
- defined business rules for how much cash to have on hand (e.g. start the day with 1.5x cash needed yesterday, or use the known historic patterns such as "tomorrow they will pay water bills", which means cash-in)
- plan for peak periods of payout (end or beginning of the month, holiday seasons, Christmas, Eid al-Fitr, Easter)

Liquidity/cash management is a permanent job at the head office, and it needs to be linked with NPO accounts management at banks. It is also directly linked to cash-logistics management. Such logistics include: cash pickup at the banks, transportation to the post offices, moving cash from one post office to another when needed, and collecting, counting and depositing cash at the bank.

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12

STAFFING AND TRAINING

Staff training is essential for management and delivery of remittance products.

Training needs to include the education of tellers and operators in:

- soft skills to improve client service
- money transfers (cash-to-cash or cash-to-account) as a new product
- adaptation of existing products (especially when mobile or cards can be used)
- cross-selling opportunities that should be identified
- AML/CFT compliance

Training needs to be a joint production between the MTO and NPO:

- organizing training for its staff to explain the features and the benefits of the new remittance product(s) for the clients
- providing support material for staff, such as the product manual, brochures or leaflets and other information

In the framework of training and human resource management, the following should also be considered:

- Are changes in the organizational chart needed for the new product? Is there a product manager and a relationship manager working with the MTO(s) and bank(s)?
- Is extra staff to be recruited for sales, back office or the call centre?
- If so, which new job description(s) should be prepared?
- What can be offered as incentive or motivational measure? Does training lead to acknowledged certificates; is there a chance of promotion; is there an award for the “best-of-the-month” postal teller and post office?



During the APFSI, for instance, staff of four NPOs were trained and a train-the-trainer programme was provided. The training materials can be replicated at other NPOs intending to develop their remittance business.

13

CHOOSING THE APPROPRIATE IT SYSTEM

The speed, security, adherence to compliance regulations, accountability and accuracy of a remittance business is information-driven, and therefore it must be managed with an adequate IT system.

Especially when existing IT is scarce, old or limited, it is important for NPOs to identify the IT system that will best support their business processes, products and services in the environment in which it will be deployed. The entire team or all relevant departments in the NPO should take part in the process of finding the right IT – not only the IT department. The process needs to involve the business and commercial staff, the accountants, the tellers and the trainers as well. NPOs need to evaluate their business requirements (those set by regulations as well as those of the remittance partners), their existing hardware and software infrastructure, Internet connectivity, permanent power supply and budget, among other things, to decide what type of IT will best suit their needs. In general, the following options exist:

- proprietary software
- buying an off-the-shelf system (or licensed model)
- software as a service
- user-level access only to an MTO's system (as is true for many larger MTOs)

APFSI found that most NPOs opted for access to an MTO's system in combination with basic IT equipment, connectivity, power supply and an off-the-shelf solution for accounting and cash management. Of course, this option is only available to those NPOs who operate as agents of the MTO.

In such an arrangement, the MTO gives the agent (post office tellers) access credentials to its system so that the agent can either originate or pay out remittances. This option provides the lowest barrier to entry: because most of the IT infrastructure and development costs rest with the MTO, there is less complexity and less risk for the NPO. It can also be a relatively easy and quick way to start. However, in this arrangement the NPO will have limited or no control over the business parameters, such as commissions, foreign exchange rates and compliance limits.

An IT system in itself is not a solution for success. The following steps are also required to make the system useful:

- *Training*: put into practice thorough and ongoing training for all staff that will be using the new system; ensure new staff receive proper and comprehensive training.
- *User guides*: create user guides for the different departments, combining process flows with cross references to relevant pages of the software manual, and ensure it is regularly updated and readily available to all staff using the system.
- *Staff feedback*: provide a channel for staff to give ongoing feedback on the system and to make enhancement requests.

14

REMITTANCES ADD A NEW DIMENSION TO THE POSTAL UNIVERSAL SERVICE OBLIGATION: CORPORATE SOCIAL RESPONSIBILITY

Traditionally, Posts have been driven by fulfilling a Universal Service Obligation (USO) in delivering mail to anyone, anywhere. Providing remittances means delivering money to anyone, anywhere. NPOs not only develop a new business stream but consolidate their contribution to the broader objectives of universal access to financial services, financial inclusion and SDGs.

By deciding to engage in the remittance business, NPOs leverage their decentralized and often rural footprint and their image of universally accessible services to meet financial customers often underserved by banks. Using remittances as an entry point to meet financially excluded populations, NPOs pave the way to a broader financial relationship through the provision of basic financial services, directly or through partnerships depending on NPO status.

In 2015, the United Nations agreed on a set of Sustainable Development Goals (SDG) to reach by 2030.

In 2015, the United Nations agreed on a set of Sustainable Development Goals (SDG) to reach by 2030. The United Nations, its agencies and members acknowledge that migrant remittances help to reduce poverty (SDG 1) and hunger (SDG 2), promote access to health (SDG 3) and education (SDG 4), and empower women (SDG 5). The United Nations have also set a target of lowering the cost of remittances to below 3 per cent by 2030 (SDG 10.c). Thus, one rationale for developing a remittance business could be to increase competition, contribute to the reduction of cost and time of remittance delivery, and help to achieve the SDGs.



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Signet: international.signet.com/send-money-to-international-3

Small World FS: www.smallworldfs.com/small-world/nld/en-gb/loc/find-us

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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 60 projects in more than 40 countries across the developing world.



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