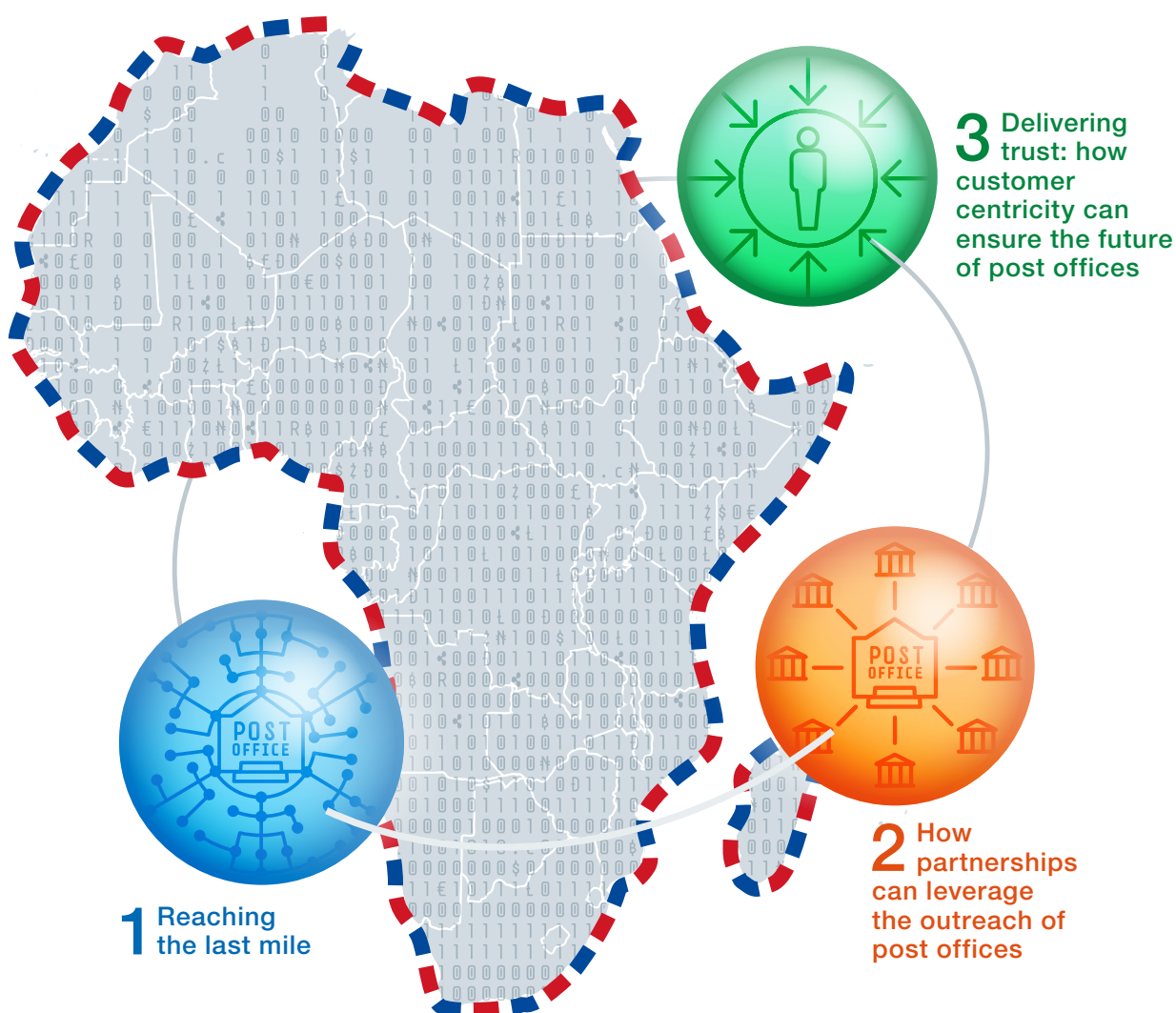


# How post offices can leverage the impact of remittances



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](http://www.ifad.org/en/apfsi)



## ACKNOWLEDGEMENTS

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## OVERVIEW

Today, post offices deliver more money than mail, and represent a prominent channel for the provision of financial services – remittances in particular – to the world's underserved rural areas.

Present in urban and rural communities alike, with a global network of more than 650,000 post offices, postal operators have in many cases both the physical and logistical infrastructure required to expand financial services and remittances to rural areas, thus enhancing financial inclusion for the rural population.

Post offices appear to appeal to several segments of the population who remain underserved by other channels, from the elderly to women, from the youth to rural households. As also recognized by the Financing for Development's Addis Ababa Action Agenda, postal networks are instrumental for achieving full and equal access to formal financial services for all.

Among the various financial services, access to remittances represents a unique opportunity for the development of communities and countries where they are sent, and post offices can be at the forefront of this global endeavour. In particular, when linked to financial inclusion strategies for remittance-recipient families, remittances increase opportunities for formal savings and small credits, paving the way towards financial independence. In many countries, National postal operators (NPOs) are in the process of modifying their business case from simple parcel and mail delivery to offering broad segments of the population affordable basic financial services. This combination offers an ideal situation for maximizing the development impact of remittances, as the funds received and saved at the post office can be reinvested in local economic opportunities in rural areas.

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With the aim of supporting postal networks in assessing their potential in the national remittance market, and towards rural development in particular, this set of working papers explores ways to maximize the impact of remittances delivered through post offices. They provide lessons learned, stemming from the APFSI experience, as well as an overview of past and ongoing initiatives, insights, information and data as useful inputs for identification, assessment, and design of programmes involving postal networks in the remittance market.

The three working papers are:



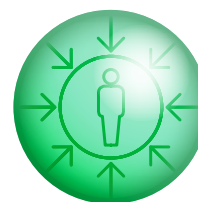
## 1 Reaching the last mile

“Reaching the last mile” provides insights on designing the business case for money transfers via the post office. It intends to provide guidance to quick-start remittance operations through assessing whether there is a potentially viable business case for the national postal operator. It also provides inputs on how to organize the team, put systems in place and set up partnerships to reach underserved customers in rural areas.



## 2 How partnerships can leverage the outreach of post offices

“How partnerships can leverage the outreach of post offices” explores the different types of business partnerships between national post offices and different financial institutions, as well as the Post’s revenue and its market reach. By examining the pros and cons of the different types of partnerships, this working paper intends to support the national postal operator in determining the best model for moving forward into an exciting business venture.



## 3 Delivering trust: how customer centricity can ensure the future of post offices

“Delivering trust: how customer centricity can ensure the future of post offices” aims at addressing the technical, operational, cultural and strategic dimensions of customer centricity. Through the definition of key concepts, the paper helps clarify what customer centricity is and how it can be implemented to the benefit of postal financial providers. It also provides a road map for national postal operators to move from a traditional product-based to a customer-centric business, nurturing greater loyalty and higher profits.





## Remittances, investments and the SDGs

At the household level:  
SDGs 1-5



### SDG 1

End poverty in all its forms everywhere

#### How remittance families contribute to the goal

- On average, remittances represent up to 60 per cent of a recipient family's income, and typically more than double its disposable income. These funds allow families to build assets and deal with uncertainty.
- Analyses of 71 developing countries show significant poverty reduction effects of remittances: a 10 per cent increase in per capita remittances leads to a 3.5 per cent decline in the share of poor people in the country's population.



### SDG 2

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

#### How remittance families contribute to the goal

- In rural communities, half of remittances are invested in agriculture-related expenses.
- Additional income increases receiving households' demand for food, which increases domestic food production and improves nutrition, particularly among children and the elderly.
- Investment of migrants' income in agricultural activities creates employment opportunities.



### SDG 3

Ensure healthy lives and promote well-being at all ages

#### How remittance families contribute to the goal

- Remittances invested in health care – access to medicine, preventive care and health insurance products – improve the health and well-being of recipient families.
- Infants born into remittance families have a higher birthweight and are less likely to die during their first year.



### SDG 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

#### How remittance families contribute to the goal

- One of the main reasons migrants send money home is to ensure access to better education for their children.
- Remittance-receiving households have demonstrably better educational participation than non-recipients, and invest about one tenth of their income educating their children.
- Remittances lead to almost doubling school enrolment. Children from remittance families, especially girls, register higher school attendance, enrolment rates and additional years in school.
- Remittances substantially reduce the probability of child labour participation.



### SDG 5

Achieve gender equality and empower all women and girls

#### How remittance families contribute to the goal

- Women migrant workers now comprise half of all remittance senders: 100 million in total.

- Remittances transform the economic role of women both on the sending side and receiving end through financial independence and better employment opportunities.
- While women remit approximately the same amount as men, women tend to send a higher proportion of their income regularly and consistently, even though they generally earn less than men.

At the local level:  
SDGs 6, 7, 12 and 13



### SDG 6

Ensure availability and sustainable management of water and sanitation for all

#### How remittance families contribute to the goal

- To create social capital and pool funds to address local needs, migrants and/or their families often organize themselves into neighborhood organizations in their communities or through hometown associations (HTAs) abroad.
- HTAs identify development priorities and participate in their achievement through technical advice and fund-raising activities.
- Community projects take into account sustainability concerns and community welfare based on primary needs (e.g. the provision of irrigation and clean water infrastructure).



### SDG 7

Ensure access to affordable, reliable, sustainable and modern energy for all

#### How remittance families contribute to the goal

- Remittances have a positive impact on family assets and overall quality of life when invested in housing, and they are more likely to be used for home improvements than for home purchases.

- Affordable solutions for poor households and their communities are already available, including efficient cooking devices and clean energy solutions.
- Local community projects may apply clean energy technologies, particularly relevant in remote rural areas lacking access to electricity.



## SDG 12

Ensure sustainable consumption and production patterns

### How remittance families contribute to the goal

- As remittance families increase their purchase capacity and change their consumption patterns, they can do so by meeting individual needs and aspirations within the ecological limits of the planet.
- Migrant households are regular and heavy consumers of nostalgic goods (home country products).
- Trade of nostalgic goods and diaspora tourism imply significant revenue for countries of origin. Diaspora populations can act as a bridge to broader markets of nostalgic goods and local tourism.



## SDG 13

Take urgent action to combat climate change and its impacts

### How remittance families contribute to the goal

- Migration is increasingly becoming a consequence of climate change. Remittances and diaspora investment play a crucial role in mitigating its negative impacts and helping cope with income shortages due to weather-related shocks.
- Remittances enable the adoption of more sustainable crops and non-farm activities. Examples include: support to local enterprises to provide solutions for flood control, more efficient use of water, improved irrigation systems, and storm/heat/wind-resilient building materials, among others.

At the national level:  
SDGs 8 and 10



## SDG 8

Promote inclusive and sustainable economic growth, full and productive employment and decent work for all

### How remittance families contribute to the goal

- Money held by remittance-receiving families and migrants' savings in host countries improve financial resources available to the general economy. This capital can be maximized when coupled with financial and entrepreneurial services.
- Migrant workers possess tremendous assets: knowledge, skills and networks. Returnee migrants bring back home a wealth of experiences and talents that can be channeled for their communities' betterment.
- In terms of development impact, migrants' investment in micro, small or medium enterprises effectively generates employment and income in local communities.



## SDG 10

Reduce inequality within and among countries

**10.c** By 2030, reduce

to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent

### How remittance families contribute to the goal

- Reducing the cost of remittance transfers can substantially increase disposable income for remittance-receiving families.
- By reducing average costs to 3 per cent globally, remittance families would save an additional US\$20 billion annually.
- Civil society awareness-raising and information campaigns are achieving progress in promoting better working conditions for migrant workers and cheaper, faster and safer means to send their remittances.

The international community - in line with SDG 17 - is committed to working together in order to leverage the development impact of remittances.



## SDG 17

Strengthen the means of implementation and revitalize the Global Partnership For

Sustainable Development

Through initiatives such as the Global Compact for Safe, Orderly and Regular Migration, the international community now recognizes remittances as a vital support for hundreds of millions of people across the globe and works to strengthen their development impact on families and communities.

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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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