



WORLD SAVINGS BANKS INSTITUTE

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9TH POSTAL SAVINGS BANKS FORUM 28 – 29 November 2006, Brussels

Summary of Conclusions

The World Savings Banks Institute organised the 9th Postal Savings Banks Forum on November 28 – 29th in Brussels. The meeting has been attended by the delegates from WSBI member institutions as well as experts from various organisations (CGAP, Eurogiro, UPU, Postefinance, Savings Banks Foundation for International Cooperation, Pricewaterhouse Coopers and the Polytechnic School of Lausanne).

Participants discussed the potential link between the ownership structure of postal (savings) banks and access to financial services.

The main points on the agenda were highly relevant to the life and evolution of postal (savings) banks. This allowed deep analysis on positioning and strengthening the role of these institutions. The various items discussed led to interesting interactions and exchanges summarised as follows:

1. Deregulation, Derelementation and Privatisation

These two concepts cover different realities, even though both are associated to the global phenomenon of liberalisation. Deregulation refers to legal and regulatory aspects affecting the market, while privatisation is about the changes affecting the operators.

- ✓ The technological evolution, globalisation and the liberal ideology supported by the neo-classical economic theory are the irreversible drivers for privatisation;
- ✓ As different models of privatisations do exist, it is important to choose the one that fit in the context of each country, institution and after assessing other experiences;
- ✓ As for privatisation, nothing is worse than replacing state monopolies by private monopolies;
- ✓ The asymmetry in terms of information availability between the State owner and the investor is the main problem affecting public – private partnerships;
- ✓ Privatisation is indeed not the miracle solution in addressing the inefficiencies in state business entities and access to financial services. On the contrary,



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instilling good governance (implementing transparent management structures and rules through viable information systems and adequate procedures, cost control measures, client approach, etc) is the most critical for ensuring the efficiency and mission fulfilment by state-owned businesses.

2. Institutional Reforms of Postal financial services

Coming to the reform of institutional links between postal institutions and (postal) savings banks, it is necessary to:

- ✓ Have a full spectrum of the problems in the postal sector and conduct a simultaneous reform of core postal services and postal financial services;
- ✓ Elaborate service agreements between the two businesses, with the aim of maintaining the win-win cooperation through the postal network;
- ✓ Keep in mind that there is no standard model but several possible options (creation of postal banks, distribution agreements with banks, joint-ventures with banks, etc).

3. Access to financial services

- ✓ Inclusive financial sector policies create a favourable environment for improving and sustaining access to financial services. Postal networks (twice larger than bank's branches) could be further leverage to maximise outreach and minimise the cost of proximity banking.
- ✓ Despite postal savings banks are expanding outside their traditional networks and introducing branchless banking services (ATMs, POS, phone banking, internet banking", etc.) to accommodate the market, post offices remain invaluable assets, but need to be repositioned as modern sale channels.

4. Investment funds

Investment vehicles (small funds) clearly focus on supporting the microfinance sector, but opportunities could exist for postal savings institutions as well, and even their customers.

5. Remittances

- ✓ Global remittance flows will certainly continue to grow by 10% per annum. The market is actually estimated around USD 200-300 billion with roughly 30-40% going through informal channels and money transfer companies' market share standing around 20-25%.





- ✓ Postal savings banks and post office networks are already instrumental in facilitating remittance services. But their role could be further enhanced in the distribution chain to release the full potential of remittance flows. Postal savings banks could play a major role in delivering remittances at fair-value and maximising cross-selling opportunities.
- ✓ The cooperation agreement between Eurogiro and WSBI is extremely positive in this respect and taking into account the existing complementary between these two organisations.
- ✓ It is worth noticing that Eurogiro will work on designing new products capable of enlarging access to banking services for migrant communities as well as remittances beneficiaries.
- ✓ Some participants complained about “Exclusivity rights” in Western Union’s contracts and urged the WSBI to cooperate with partner institutions to have it lifted in order to promote fair value remittances.

6. Costing

- ✓ Understanding costs is essential for a good pricing of products and services.
- ✓ The “Activity Based Costing” (ABC) is mainly a tool for measuring and allocating indirect costs.
- ✓ Implementing modern accounting systems is critical for postal savings banks to enable them assessing and controlling their costs.
- ✓ If properly assessed, the cost of “cash handling” would push postal savings banks towards promoting account-based payment services

