





ETHIOPIA POSTAL SERVICE ENTERPRISE

ORGANIZATION PROFILE

2010/11 /2004 E.C budget Year/



HISTORICAL BACKGROUND

- In Ethiopia, Postal service was started on March 9, 1894. So it is one of the oldest post in Africa.
- In 1908, Ethiopia became member of the Universal Postal Union (UPU) and the first Ethiopian stamps were also printed and sold around this time.



ORGANIZATION VISION & MISSION

- **Vision:**

In the year 2015, Ethiopia Post to be known for Excellency in the country and exemplary in the world.

- **Mission:**

To connect the citizens and Institutions among themselves and to the world by providing quality and economical postal service.



CURRENT STATUS OF ETHIOPIA POST

- BUSINESS UNIT
 - Letter Post
 - EMS
 - Parcel Post
 - Financial Business Unit
 - Transport Service
 - Others



Cont'd

- **Provides Ordinary Money Transfer in all PPO.**
- **Provide electronic money transfer services in 12 PO of PPO.**



Current status of Postal financial inclusion

- At the organizational level Financial Business Process is in charge off all financial inclusion matters.



Current status of Postal financial inclusion continued

Services

As other postal administrations EPSE is traditionally providing money orders and postal orders both domestically and internationally. But this service contributes very small percent **for** the total turn over of the organization



➤ Previously only

- Postal order
- Money order

Have been given and considered as financial inclusion

➤ Problem with these services:

- Speed (b/se we use the letter post infrastructure to deliver the service) as a result of this there were many complaints from customers.
- Security -some times the letters were lost.



Current status of Postal financial inclusion continued

Money fax has been introduced as a solution in 2005.

The Money Order Continued as an alternative.
Because,

- Since the organization has many outlet or branches it is very challenging to afford the cost of investment (like cost of purchasing fax machine)
- It should be there as an alternative product for customers so that customer can chose either the Money Order or money Fax depending on their paying capacity .



Current status of Postal financial inclusion continued

- Currently we are giving this fax based money transfer in 44 branches,

Challenges with this service

- Unable to get suppliers of faxes.
- Unable to reach all parts of the country .b/se, its investment cost is high.
- Unable to control the transactions centrally.

(even if the faxes are networked, still we couldn't control any transaction going on centrally and this resulted in loss of money in some areas)



Current status of Postal financial inclusion continued

- EPSE was also doing International remittance with 4 Money Transfer Companies from Different Parts of the world (Biritu, Express, Cash4 Africa & RIA). Currently, it only works with RIA.
- Because,
 - The NBE does not allow the Post To have a Foreign Account, so that we do not pay in a daily base rate of the foreign exchange.
 - We do not have sufficient Broad band Infrastructure to expand the service. Therefore, we only use Call center for the Remote Part of the country.



Partnership Model

- As private postal operators are increasing, many postal administrations have become aware that the provision of financial services is vital and decisive factor in establishing a favorable income /cost ratio and enabling the postal operator to keep going or make the post office network economically viable while continuing to serve the population at large.



- Considering the above fact, the organization designed a new approach or strategy to exploit the benefits from this financial service inclusion.
- This new approach for financial inclusion is **PARTNERSHIP MODEL**
- The organization use this model for money transfer (mobile money transfer locally and international remittances and mobile banking.)



- Rationale for the new approach of financial inclusion:

As it is said above to exploit the benefits from the financial inclusion and make the postal networks economically viable and to keep the post going very well.

- b/se of the changing environment the customer taste is changing. And this is to address some of the need of the customer
- Competitors become very strong from time to time and we think partnership as a solution to react to the powerful completion.
- In our case the post office is not economically strong and b/se of this we couldn't afford to cover the costs to introduce new service or extended services



Business model we use in the partnership

- Partner selection

- Companies from Ethiopia and abroad approached the organization with the interest of working on Money Transfer.
- Ad hoc committee established from different departments(Marketing, Financial business, IT and finance) to work on the evaluation & selection.
- This committee will be there until actual operation will starts.



Business model we use in the partnership conti....

- Contract administration
 - Currently, we are doing it in-house but this is one of the areas that we lack of knowledge.
- Dealing with investment cost
 - Basically, we use cost sharing and most of the time we consider our outlet with our employees **as a great opportunity and basic resources to our partners.**
 - Partners usually will expected to come up with the necessary technology by their own cost. some times they may be expected to cover other costs.



Business model we use in the partnership conti....

- Pricing (determining the benefit from the service)
 - we follow revenue sharing based on the amount of investment
 - We use ABC(Activity Based Cost) Method to set the Price.
- Training
 - In all cases, the partners are expected to give training all the time with their own cost.
- Promotion
 - Both parties are expected to do promotion but partners are expected to do intensive promotion



Business model we use in the partnership conti....

- Branding
 - Since this is a partnership model we use co-branding.

- Service delivery

We have a plan to start Phase By Phase

- For pilot test we only select few outlets
- For final implementation it all depends on the availability of infrastructure. But, the market will be segmented and the target market will be identified.

- selling

- the post office is in charge of doing this selling but in some case(partnership with bank) the partners may also involve in selling



Business model we use in the partnership conti....

- Developing operational business rules
 - The post office and Partners are doing this together.



Current status of our partnership

- Status of partnership
 - With zemen Bank
 - With Off shoring Technology 2
 - With Apposite pagateck



Status of partnership with Zemen bank

- Purpose
 - To work together in mobile banking
- Experience Sharing



No	Task	Updates and Pending Tasks	Status
1	General Mobile Banking Issues and Project Roll Out	Presentation for EPS Board	Done
		Ethio Telecom Short Code	Obtained(8800)
		Western Union has accepted ZB as an Agent	(Remittance via mobile banking)
		Meeting with Ethio Telecom	Meeting date decided
2	Setting key Service Parameters	Preliminary Syntax for transaction	Done
		Preliminary Tariff structure	Done



No	Task	Updates and Pending Tasks	Status
3	Securing NBE Approval & Completing Full Proposal	7 documents being finalized	Submitted to NBE
		Nov. 9 NBE second round Presentation	Preparation completed
		Expecting WB/UPU inputs by early november	



No	Task	Updates and Pending Tasks	Status
4	Partnership/Agent Sign up And Getting Ready for Operation	Post office coverage for pilot test	Agreed to start in Addis Ababa in 28 branches
		Proposed minimum hardware requirement	Done
		Proposed EPS initial deposit for e float	Done
		Proposed minimum cash /float requirement for post offices	Done
		Transaction log book format	Done
		Registration form format	Done
		Subscriber registration form	Done



No	Task	Updates and Pending Tasks	Status
4	Partnership/Agent Sign up And Getting Ready for Operation	Draft terms and Conditions	Done
		Mobile Apparatus purchase	Done
5	Marketing Mobile Banking Service and Driving demand	All types of Promotional Mixes	Under preparation
6	Software Set-Up and customization	Live pilot testing with ZB staff	Started
		UAT being completed	
		Menu based application for post office agent	pending



No	Task	Updates and Pending Tasks	Status
7	Other miscellaneous issues	Call center preparation	underway
		Hardware procurement	Underway
		Staff hiring	Underway
		Training	Under process



Status of partnership with off shoring Technology 2

- We started our partnership in June 2010.
- We agreed in the following areas to work together.
 - Electronic money transfer & Transferring money using Mobile,
 - Air top up,
 - Salary Payment .
- Currently we started working together in electronic money transfer.
 - So, we do have an experience with them almost more than a year
- In case of OTS, Mobile money transfer is the extension and part of the agreement that we had before.
- b/se of poor Telecom infrastructure we couldn't expand aggressively.



Status of partnership with off shoring Technology 2

- To expand the current electronic money transfer they purchased about 300 net pad which will be used as a computer by installing GSM Sim Cards in it (As a solution for poor infrastructure in Remote part of the Country)



Apposite pagateck

- **One of the company selected as a partner in this mobile banking and mobile money transfer.**
- **They came up with draft agreement but not yet finalized.**
- **They are also on the Process of getting a license from NBE.**



EPS project on saving Bank

- As it is said above, Most postal administration become aware that the provision of financial service is very important especially to make those outlets profitable which are not economically viable.
- The financial Services being offered by the majority of postal organizations around the world may have dual purposes
 - The provision of vital financial services to the population.
 - And ,generating additional income to sustain the core mail delivery.
- In the Ethiopian context, in addition to the above rationale, proclamation from 1966 which was updated in 2009 and mentions that the post can offer postal savings accounts.



Contin....

- With all this background the Ethiopian postal service strongly seeks to introduce postal financial services with in the general financial regulatory frame work in the country.
- Efforts to set up postal savings with in Ethiopian postal services were ongoing for long years.
- But b/se of different reason not yet started still now and the major reasons are
 - Resource Limitation
 - Luck of expertise and skilled manpower
 - Resistance from the regulator (National bank) this is basically due to luck of awareness .



- **Challenges are natural element of every business and most of the challenges are still there in Ethiopian postal service.**



Status on Saving Bank

- A study of foreign consultant was conducted to consider the feasibility of establishing a post bank. However, this study did not materialize due to the 1974 Ethiopian Revolution and turned around the economic policy to command economy and centralized all commercial banking activities under the commercial bank of Ethiopia .



Status on Saving Bank

- Currently the feasibility study of the project has been conducted by a local consultant and the study concluded that the project is very promising and feasible.
- The study has the following goal and objective



- Goal

- To provide Postal financial Service to the majority of the public at large and augmenting the financial income of the organization.

- Objectives

- Avail appropriate financial services all over the country targeting the un banked citizen.
- Realize a cumulative net profit by utilizing those all outlets economically viable



Future Major Activities with Saving Bank

- Manage all the necessary issues raised by National Bank of Ethiopia and obtaining license.
- Organizing the Postal saving project as an entity
- Establishing the Modality of partnership between EPS and the postal saving
- Preparation of manuals
- Preparation of the necessary formats.



Future Major Activities with Saving Bank

- Preparation of Business Plan
- Preparation of operational plan
- Establishment of Branches
- Providing training
- Promotion
- Inauguration and Official start of Operation



Constraints, challenges and key issues

- We are selecting a bank with a strategy of branchless Bank(zemen bank).
- Other partners are Technology provider so it don't have any impact in co existing of Partnership and owning Our saving bank.
- Since our agreement is not a long lasting or life time agreement, we can stop any time when we consider that we can handle every thing by our selves



Constraints, challenges and key issues

- **Lack of financial resources**
- **Lack of adequate ICT infrastructure**
- **Lack of sufficient skilled manpower**
- **Lack of Experience**
- **Not having Standardized model agreement and b/se of this we insist the partners to come up with their own agreement.**
- **Not having the required capacity to evaluate the agreements developed by Partners**



›ScÓ“KG<!! “Ameseagnalehu!!”

Thank you!!