



**UPU** | UNIVERSAL  
POSTAL  
UNION

## **Case study No. 8**

# **Togo: Postal financial inclusion through mobile agencies**

Guilherme Suedekum

Armand Awata

Alexandre Berthaud

December 2014



<b>Table of contents</b>	<b>Page</b>
<b>Acronyms and abbreviations</b>	<b>4</b>
<b>I. Introduction</b>	<b>5</b>
<b>II. General context in Togo</b>	<b>5</b>
<b>III. Financial inclusion in Togo</b>	<b>5</b>
1 Financial system and banking market	6
2 Microfinance market	7
3 Mobile telephony market	7
<b>IV. The Togolese Post</b>	<b>7</b>
<b>V. Legal framework for postal and financial services</b>	<b>7</b>
<b>VI. Business model: financial inclusion through mobile offices</b>	<b>8</b>
1 Reasons for adopting the business model	8
2 Analysis of the business model: key questions and success factors	9
3 Results of the model	11
<b>VII. Future prospects and outlook</b>	<b>11</b>
<b>VIII. Lessons for the postal community</b>	<b>12</b>
<b>IX. Conclusions and recommendations</b>	<b>12</b>

**Acronyms and abbreviations**

BCEAO	Central Bank of West African States
CCP	Giro Centre
ATM	Automated teller machine
SPT	Société des Postes du Togo
ICT	Information and communication technologies
WAEMU	West African Economic and Monetary Union

## I. Introduction

The Togolese Post has put into place a ground-breaking business model which is allowing the relationship between the Post and its customers to be modernized. Instead of receiving customers at its agencies, the Post is now using a simple but effective structure to serve populations in remote areas where financial services were previously unavailable. This new initiative, called MobiPOST, allows the Post to play a key role in bringing banking services to a significant number of disadvantaged communities. This case study seeks to establish the initiative's key success factors and the foundations on which the business model rests. Below, we will present the main characteristics of the model, as well as its success factors and a number of challenges that lie ahead.

## II. General context in Togo

Togo is a West African country covering an area of approximately 57,000 km<sup>2</sup>. In 2012, it had a population of approximately 6.6 million and an annual demographic growth rate of 2.8% (figures for 2011).<sup>1</sup> Togo is lagging behind in terms of human development, with poverty affecting 58.11% of the population and a life expectancy at birth of 57 years.<sup>2</sup>

It is classified as a least developed country (LDC). In 2012, the country's gross domestic product (GDP) stood at 3.8 billion USD and its growth rate was 5.6% (compared with 4.8% in 2011 and 3.99% in 2010), corresponding to a GDP per capita of 574.14 USD.<sup>3</sup> This upturn in the country's economic fortunes resulted from the counter-cyclical measures taken by the Government and the sound performance of the agricultural sector.<sup>4</sup> In terms of budget management, according to the World Bank, Togo's debt is not managed in line with best practices and it is difficult to obtain a reliable estimate. In 2012, Togo's debt in relation to the GDP was estimated at 41.4%.<sup>5</sup>

## III. Financial inclusion in Togo

In Togo, much remains to be done in the area of financial inclusion. The country's performance is very weak in this area, even compared with the average for sub-Saharan Africa. Around 10% of the adult population (people aged 15 years and over) has an account with a formal institution, but this percentage drops to only 6% for the most disadvantaged segment of the population.<sup>6</sup> The use of bank accounts for transaction-based services is limited: only 3% of the population has received a salary into a bank account, only 2% a government payment, and only 1% a money transfer from a formal financial institution.<sup>7</sup>

*Figure 1: Togo and financial inclusion (comparison with sub-Saharan Africa)*

	Togo	Sub-Saharan Africa
Do you, either by yourself or together with someone else, currently have an account at a formal institution? (% with an account, age 15+)	10%	24%
Do you, either by yourself or together with someone else, currently have an account at a formal institution? Income, bottom 40% (% with an account, age 15+)	6%	13%
Have you used your account(s) to receive money or payments for work or from selling goods? (% , age 15+)	3%	10%

<sup>1</sup> World Development Indicators – World Bank.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Togo, Country Strategy Document 2011–2015 – African Development Bank. Available at: [www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Togo-%20DSP%202011-2015%20Full%20Final.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Togo-%20DSP%202011-2015%20Full%20Final.pdf).

<sup>5</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/ACCUEILEXTN/PAYSEXTN/AFRICAINFRENCHEXT/TOGOINFRENCHEXT/N/0,,menuPK:467984~pagePK:141132~piPK:141107~theSitePK:467972,00.html>.

<sup>6</sup> Corresponds to the poorest 40% of the population.

<sup>7</sup> Global Findex World Bank – World Bank.

	Togo	Sub-Saharan Africa
Have you used your account(s) to receive money or payments from the government? (% , age 15+)	2%	6%
Have you used your account(s) to receive money from family members living elsewhere? (% with an account, age 15+)	1%	9%
In the past 12 months, have you saved any money with a financial institution? (% , age 15+)	4%	14%
In the past 12 months, have you saved money by using an informal savings club? (% with an account, age 15+)	4%	19%
In the past 12 months, have you borrowed money from a financial institution? (% , age 15+)	4%	5%
In the past 12 months, have you borrowed money from family or friends? (% , age 15+)	19%	40%

Source: Global Findex – World Bank

It should be noted that the Togolese do not perform many financial transactions, even outside the formal system. Compared with sub-Saharan Africa, fewer Togolese save money by using a savings club and fewer borrow money from family or friends.

### 1 Financial system and banking market

Togo is a member of the West African Economic and Monetary Union (WAEMU). The WAEMU Banking Commission is responsible for supervising the banks and financial institutions of its eight member countries,<sup>8</sup> with a view to ensuring the smooth functioning of the banking system.

At the end of 2011, the Togolese banking system comprised 12 banks and three financial institutions of a banking nature, representing 12.4% of the total number of banking institutions in the WAEMU. The system is based on a network of 157 banking agencies and 104 automated teller machines (ATMs).<sup>9</sup>

*Table 1: Estimated level of banking activities in Togo compared with the WAEMU and certain other WAEMU member countries*

	Togo	Côte d'Ivoire (Rep.)	Senegal	WAEMU
Number of individual accounts	651,596	3,150,941	986,009	7,910,251
Estimated level of banking activity	10.8%	13.4%	7.8%	7.9%

Source: WAEMU Banking Commission – Annual Report 2011

Of the 12 banks mentioned above, the three most important in terms of number of accounts are: Banque Populaire pour l'Épargne et le Crédit, with 237,352 accounts (52% private national capital); Union Togolaise de Banque, with 127,668 accounts (100% public); and Ecobank-Togo, with 144,880 accounts (82% foreign-owned capital).<sup>10</sup>

The Togolese Post (SPT) also plays a role in the financial services sector. In 2011, the Post had 39,392 giro accounts and 32,821 postal savings accounts.<sup>11</sup> It has 79 agencies and, in addition to giro and savings accounts, provides pension services, electronic money transfers and microcredit financing. Through MobiPOST, a mobile office in the form of a vehicle which takes postal services directly to the customer, the SPT has helped raise the level of financial inclusion in rural areas.

<sup>8</sup> Benin, Burkina Faso, Côte d'Ivoire (Rep.), Guinea-Bissau, Mali, Niger, Senegal and Togo.

<sup>9</sup> Annual Report of the Central Bank of West African States – 2011.

<sup>10</sup> Ibid.

<sup>11</sup> Universal Postal Union – Postal Statistics 2011.

## 2 Microfinance market

Togo's microfinance sector serves an estimated 1,118,528 customers, 85,267 of whom are groups of private individuals, businesses and associations. The remaining 1,033,261 customers are private individuals.<sup>12</sup>

In 2012, Togo had 176 microfinance institutions, of which 108 were organized in eight networks. However, the sector remains concentrated despite the significant number of institutions operating in it. FUCEC-Togo has a market share of 44.29%.<sup>13</sup>

Figure 3: Main players in Togo's financial sector

	<i>Basic structures</i>	<i>Service points</i>	<i>Market share</i>
Faîtière des Unités Coopératives d'Epargne et de Crédit du Togo	54	94	44.29%
Investir Dans l'Humain	7	100	12.84%
Women and Associations for Gain both Economic and Social	1	16	13.21%

Source: Portail Microfinance – CGAP

## 3 Mobile telephony market

In 2011, Togo ranked 134th in the International Telecommunication Union's Information and Communication Technologies (ICT) Development Index – an even lower position than in 2010 when it ranked 132nd.<sup>14</sup> In 2010, Togo had 2,452,433 mobile phone subscribers, presenting a penetration rate of 41.75% (similar to the average for Africa, estimated at 42% in 2009).<sup>15</sup>

There are only two players operating in the Togolese mobile phone market: Togocel, a 100% subsidiary of Togotélécom, which enjoys a market share of 66% in terms of numbers of subscribers, and Atlantique Telecom Togo (Moov), which is owned by the United Arab Emirates-based operator Etisalat and which holds the remaining 34%.<sup>16</sup>

## IV. The Togolese Post

The Togolese Post was established in the 1880s, when a service linking Togo's first postal agency in Anecho to Grand-Popo (Dahomey), with an intermediate office in Agoué, was launched. The Post has since developed considerably, and has broadened its service offering. Today, in addition to providing traditional postal services, the Post is highly active in the area of financial inclusion through its financial services.

Created in 1958, the Giro Centre (CCP) serves customers at 79 agencies located throughout the country and via MobiPOST, providing a range of services: current and savings accounts; bank cards for withdrawals or payments; domestic and international money transfers; and payment and credit services.

## V. Legal framework for postal and financial services

As regards the regulatory framework for postal services, Société des Postes du Togo (SPT) is a State-owned limited company, created by decree No. 90–22/PR of 28 February 1996 and charged with providing the public postal service.

<sup>12</sup> Portail Microfinance – CGAP. Available at: [www.lamicrofinance.org/resource\\_centers/profiltogo/couverture](http://www.lamicrofinance.org/resource_centers/profiltogo/couverture).

<sup>13</sup> Ibid.

<sup>14</sup> Measuring the Information Society 2012 – International Telecommunication Union. Available at: [www.itu.int/ITU-D/ict/publications/idi/material/2012/MIS2012-ExecSum-F.pdf](http://www.itu.int/ITU-D/ict/publications/idi/material/2012/MIS2012-ExecSum-F.pdf).

<sup>15</sup> Ministry of Posts and Telecommunications of Togo. Available at: [www.minpostel.gouv.tg/index.php?option=com\\_content&view=article&id=11&Itemid=14](http://www.minpostel.gouv.tg/index.php?option=com_content&view=article&id=11&Itemid=14).

<sup>16</sup> Ibid.

In accordance with article 4 of decree No. 90–22/PR, money order, giro and other postal financial services governed by the Acts of the Universal Postal Union are part of Togo's "universal postal service". Article 2 of decree No. 90–22/PR stipulates that the law aims to foster the conditions for fair and effective competition in the postal market throughout the national territory, and to ensure provision of a quality public postal service.

The Posts and Telecommunications Regulatory Authority of Togo was created under article 57 of law No. 98–005 of 11 February 1998 on telecommunications, and was charged, inter alia, with regulating the postal sector.

With regard to the financial services provided in Togo, the legal framework provides for various instruments, depending on the institutional structure of the organization. For example, banks are regulated by the Central Bank of West African States (BCEAO). The Togolese Government, however, also sets legal guidelines under law No. 2009–019. Law No. 95–014 of 14 July 1995 regulates mutual or cooperative savings and credit institutions. Article 1 of law No. 2011–009 provides for the regulation of "decentralized financial systems", i.e. institutions whose main mission is to provide financial services to persons who do not generally have access to the services provided by banks and financial institutions.

## **VI. Business model: financial inclusion through mobile offices**

MobiPOST, which constitutes an integrated financial model for the provision of on-the-spot services (particularly financial ones) to populations in remote areas, has become a key tool in the effort to combat financial exclusion in Togo. It works as follows:

- Using technology that allows a full range of counter services to be provided, the Post provides walk-in services on wheels to customers in remote areas.
- To reach the "last mile" customer, the Post forges win-win partnerships with private sector players, which are subcontracted to perform a number of operations that do not compromise the confidentiality of financial information.
- This mobile phone-based money transfer system, which is known as "TEN mobile", allows private customers to send money orders and make payments throughout the national territory under the same conditions as at post office counters. All that is required is a telephone and a thermal printer to record the transactions performed. The "TEN mobile" system was launched in 2013, and the aim is to make the service available at 400 sales points.

The overarching aim of this initiative is to eliminate the need for customers to travel long distances to carry out transactions.

### *1 Reasons for adopting the business model*

In 2004, the Post participated in the demonetization of certain bank notes, which allowed it to realize the negative consequences of hoarding in rural areas. The main reason for this phenomenon was the low level of financial inclusion of these populations, which, as a result of the demonetization, ended up losing large amounts of money that they had been hiding under the mattress.

Moreover, according to reports on accidents in remote areas, many heinous crimes are committed by high-way bandits against farmers or merchants, who face considerable dangers to reach the nearest financial institution or money transfer point, with no choice but to carry on their person the proceeds from the sale of their products and goods.

There are, however, other reasons for implementing the project, including the following:

- Fulfilling universal postal service obligations in remote areas by providing these populations with access to basic financial services and thereby contributing to the effort to combat social exclusion;
- Affirming the Post's environmental commitment by facilitating implementation of the reforestation component of the community development project;
- Taking forward the project to provide rural post offices with solar energy;
- Contributing to the Government's priority objectives to achieve the Millennium Development Goals (MDGs) in 2015 vis-à-vis the effort to combat poverty.



Also worth noting are the following four criteria underpinning the model developed by the Post: innovation; replicability of the model; scale and viability; and suitability for rural areas.

- i Innovation – The model allows the Post to outsource all its products and services linked to ITCs in favour of rural populations. It allows for awareness-raising among populations in remote areas and investment in potential markets. The mobile office concept comes down to a PC, a modem and a cash till. It is easy to implement and involves only modest start-up costs (basic investments and maintenance costs).
- ii Replicability of the model – MobiPOST is quite flexible and can easily be replicated. To implement MobiPOST, all that is required is to configure the information system and ensure that there are multiple connections to the IT network.
- iii Scale and viability – The model is sustainable and can easily be replicated, in line with local conditions. It can be deployed on a larger scale, particularly for promotional campaigns and special marketing events. It allows savings to be made as it eliminates the need to multiply the number of postal agencies.
- iv Suitability for rural areas – The model is especially designed for rural areas. It is easy to implement, provided that the electricity supply and telecommunications network are operational.

## 2 Analysis of the business model: key questions and success factors

### a Network

The SPT network comprises 79 agencies located throughout the country. In addition, the Post has two MobiPost vehicles which cover the coastal areas, particularly five localities located far from urban centres. To ensure that maximum benefit is derived from the MobiPost service, the localities are served on market days.

The Post is currently seeking financial support to purchase the IT equipment needed to deploy five additional MobiPOST vehicles in the following regions: western plateau, eastern plateau, central region, Kara region and savannah region.



*b Human resources*

Three permanent staff are assigned to each MobiPOST vehicle: one of them, stationed at the computer, is tasked solely with the provision of the various services; another is responsible for awareness raising and attracting customers to the MobiPOST service; while the final member of the three-man team is the driver, who also performs other duties and provides on-the-spot assistance. Depending on the number of people expected at the market, the Post may increase the number of staff assigned.

*c Financial capacity*

As regards the Post's financial capacity, SPT has achieved a positive net result for each of the last six years. However, the MobiPOST service accounts for less than 1% of the Post's total financial services revenue. These figures are, however, expected to improve over the coming months through efforts to raise awareness and market the service. Moreover, connectivity improvements are expected to be made by the telecommunications operators, allowing better quality services to be provided.

*d Trust*

The Togolese Post has a long-standing reputation of providing quality services to its customers, with whom it has built a strong relationship of trust. This trust is essential in presenting new services that are yet unknown to the target audience. This important asset is gradually allowing the Post to provide the segments of the population without access to financial services with access thereto.

*e Automation*

The business model developed by the Post is based on sophisticated, yet easy-to-use, technology. The MobiPOST vehicle is equipped with a mobile counter consisting of a laptop computer equipped with an EDGE or EVDO modem for connecting to the central system via VPN. This setup allows a full range of counter operations to be provided: opening of accounts, deposits into/withdrawals from accounts, money transfers, currency exchanges, pension payments, receipt of transfers, collection of licence fees and utility bill payments. The connection to the information system allows these transactions to be performed in real time, using simplified procedures. The mobile counter functions in all areas covered by the GSM or CDMA networks.

*f Promotion of financial inclusion*

The Togolese Post has a long tradition of providing its customers with financial services, and this new service can be considered a step towards broadening the scope of its activities. It is important to note that the Government sees the Post as an important player in the effort to achieve financial inclusion for the entire population of Togo.

In this connection, the Government recently created a financial inclusion fund, which is administered and managed by the ministry responsible for grassroots development. The beneficiaries of this fund are mainly existing or potential customers of the Post (in view of the latter's coverage throughout the territory).

*g Governance between the Post and postal financial services*

Although postal financial services have long been part of the Post's history, real significance has been attached to them only since 1958, when the CCP was established.

*h Legal and regulatory framework*

Chapter V of this report presents Togo's legal framework, under which the Post is taking several initiatives to broaden its financial services offering. However, the Post is not currently authorized to provide microcredit services, despite the fact that there is a demand for these services in all the localities served by MobiPOST. The Post realizes that there is an opportunity in this area, and is currently negotiating with the relevant authorities in an effort to find a solution.

### *i Marketing*

Marketing activities are mainly "on the spot" once MobiPOST has reached the localities it serves on market days. As mentioned above, one staff member is assigned solely to this activity. Depending on the size of the market, however, additional staff may be assigned to assist him. However, since MobiPOST aims to serve people who have not previously had access to financial services, it would be appropriate to supplement this on-the-spot campaigning with other marketing activities.

### *j Flexibility*

The MobiPOST vehicles allow the Post to reach remote areas without access to financial services. This initiative increases the Post's flexibility and contributes to the fulfilment of its universal service mission. However, the possibilities of these new customers are limited due to the fact these localities do not yet have a permanent agency. Over time, however, the MobiPOST service will serve these localities on an increasingly regular basis as the number of financially included in them increases, and the Post will establish permanent agencies in them accordingly.

## *3 Results of the model*

This organizational model allowed the Post to make on-site payments during the legislative elections in 2007, during the presidential elections in 2010, and during the population census in 2011. These various service contracts allowed the Post to pay over 10 million USD to 173,229 beneficiaries.

Within the framework of the recent partnership between the Post and the World Bank, via the ministry responsible for grassroots development, over 11,500 accounts have been opened in eight months and 492,651 USD have been paid to the beneficiaries.

As regards electronic fund transfers, over 900,000 USD have been sent by this means via the rural corridor.

In summary, the MobiPOST initiative has increased the credibility of SPT and has highlighted its citizen-oriented mission as a universal service provider.

## **VII. Future prospects and outlook**

A number of changes are to be expected to Togo's financial services offering with the likely market penetration of mobile phone operators. However, the provision of similar, GSM-based services by these operators represents an opportunity for the Post to showcase its network and capacity to collaborate closely with them through win-win partnerships. These operators need cash points to perform certain transactions (disbursement of funds, etc.). The Post has already been approached in this connection by two mobile operators.

Under the current banking regulations in Togo, the Post is not authorized to provide microcredit services as it issues payment instruments. However, at its sales points, the Post can provide microcredit services under special agreements with decentralized financial companies, as is the case for traditional credit. In this connection, for the past four years the Post has been providing customers with microcredit services in partnership with the savings and credit cooperative AVE. This is an example of a successful partnership, under which the profits are shared (application charges, setup fees, interest, etc.). In this connection, the main problems facing the Post are related to the organization, equipment and resources (software, funding, training, etc.).

The Post has already held discussions with Togo's financial authorities, particularly the Central Bank and the Ministry of the Economy and Finance, with a view to obtaining a special licence under which it could provide these services to disadvantaged populations in remote areas and other persons excluded from the traditional banking system.

Finally, as mentioned above, the Government recently created a financial inclusion fund, which is administered and managed by the ministry responsible for grassroots development. The beneficiaries of this fund are mainly existing or potential customers of the Post (in view of the latter's coverage throughout the territory). The Post believes that this initiative could achieve significant results, particularly if the number of MobiPOST vehicles is increased.

### **VIII. Lessons for the postal community**

The Togolese Post is an example of how a Post can reach out to its customers instead of serving them at its agencies. This is a very interesting strategy, particularly in the context of securing custom from people who are not familiar with financial services, as is the case in the rural areas of Togo. Important lessons for the postal community include the following:

- i The Post's long tradition in providing financial services facilitated the acceptance of the model by the Post itself, and was instrumental in bringing the Government on board. Rather than being seen as a complete change of direction, the model was deemed a natural step to be taken by the Post in view of the failure of other financial organizations to bring financial services to the excluded.
- ii The business model developed by the Post is characterized by the flexibility of an organization which approaches the customer. To this end, the MobiPOST vehicles have a simple, compact design for maximum effectiveness. The model is also based on the local reality, using market days to reach out to as many people as possible.
- iii The Post welcomes innovations and is happy to enhance its products and services by incorporating them. In this connection, it should always be focussed and ready to seize new opportunities. The possible penetration of this market by mobile phone operators should not be perceived as a threat, but rather as an opportunity for the Post to foster new partnerships.
- iv It is important to note that the Government sees the Post as an important player in the area of financial inclusion. The Government has already provided various services via the Post, strengthening the latter's brand image as a result. Moreover, the Government's support is essential if the Post wishes to expand its product portfolio by providing microcredit services, which it has not yet been able to do under the country's current legal framework.
- v Finally, the importance of marketing strategies should be emphasized in this context, as the potential customer does not know what financial products are or involve. As is the case with the financial education, the marketing activities need to be intensive and repetitive as the population is not familiar with these products or their relevance.

### **IX. Conclusions and recommendations**

Financial services are not yet available in a number of localities in Togo, whose inhabitants are thus denied the potential benefits of financial inclusion. Moreover, in terms of business, the lack of competition in these regions in the area of financial services means that the market is wide open and untapped. Given these two factors, the Togolese Post has developed and implemented a business model based on mobility and out-reach to existing and potential customers.

The MobiPOST model consists of mobile vehicles which go to various isolated localities, where the Post provides the same services as it does at its post offices and agencies. Through this initiative, the Post has already rolled out banking services to a number of Togolese. Two MobiPOST vehicles are currently operational, and the Post plans to broaden its coverage to all regions of Togo by introducing a further five vehicles.

Developing the market strategy would allow this model to achieve better results. As we have mentioned, the Post's marketing strategy mainly involves on-the-spot campaigning once the MobiPOST vehicle has reached the market. However, as these are new products and services, the Post needs to step up its efforts by making the benefits of financial inclusion clear to the entire population.

Maintaining the Government's support is also crucial to the success of this model, both in terms of assigning staff for the provision of MobiPOST services and in modifying the legal framework to allow the Post to provide microcredit products. It is clear that, while the Government is currently strongly committed to supporting the Post's activities, the latter's situation is somewhat precarious in that the model's success depends on the ongoing nature of that support.