

# Postal Services (NIPOST) Reforms

## The Problem

The Nigerian Postal Service Act 1992 gives exclusive rights for mail handling to the Nigerian Postal Service (NIPOST) for all postal articles below 500 grams. However, with the advent of Internet and the accompanying social networks, e-transactions and Global System of Mobile Communication (GSM) the patronage and productivity of postal services went into gradual decline. Prior to this, the entry of a number of private firms emerged in the country and began to offer higher quality postal service delivery than the traditional services rendered by the post office. This development led to the gradual incursion of private postal and courier service operators into the Nigerian market.

Consequently, at the advent of democratic governance in 1999, the quality of service delivered by the Nigerian Postal Service was poor and quantity of items delivered low. As a result of this, the confidence that Nigerians had in the country's postal system was completely eroded due to the inability of NIPOST to deliver on virtually all of its statutory obligations. These include such basic and core postal services as letter, parcel, and express mail delivery as well as counter services. More importantly, banks easily supplanted NIPOST's primary role as a mobiliser of savings at the grassroots level when such institutions as the West African Examination Council (WAEC) ceased to patronise NIPOST as the processing centre of choice despite the obvious advantages. Other such weaknesses were low management autonomy, low levels of investment, vast but obsolete infrastructure and facilities, and poorly motivated workforce coupled with theft, loss, tampering, and violation of mail items. The result was that its functions were effectively taken over by hundreds of private courier operators, who operated in a chaotic and non/poorly regulated market.

## Reform Actions

In order to reposition the NIPOST for greater optimum operational efficiency, the National Council on Privatisation (NCP), through the Bureau of Public Enterprise (BPE), began the reform of the postal service system. To further enhance reform activities of the postal service system, government engaged a consultancy firm (i.e. Nethpost Consultancy of the Netherlands) on 12 March 2007 to provide advisory services for the reform of the sector. The primary objectives of the reform of the postal service system were to:

1. Establish a low cost universal postal service that provides a solid communication medium and link nation-wide
2. Provide a safe and efficient postal service that is sustainable and keeps pace with development in the rest of the world
3. Introduce private sector participation and the development of the postal service into a commercially viable enterprise
4. Create a convenient means of savings mobilisation and payment/funds transfer system for the entire country through the postal network
5. Develop a new policy framework that refocuses the sector taking cognisance of technological advancement, competitive means of communications and the use of such facilities for inclusive development

## Main Achievements

Development of a new postal sector policy with the following features:

1. Separation of the roles of policymaking, sector regulation, and operations. The Ministry of Communication is saddled with the responsibility for policy formulation, sector regulation is to be handled by a proposed National Postal Commission (NPC), while public postal operations is handled by NIPOST.
2. Designation of NIPOST as the Public Postal Operator, so as to fulfil the Universal Service Obligation (USO), by maintaining and extending a nation-wide postal network for the provision of affordable and reliable quality services.
3. The post office network has been well suited for the provision of public interests services such as basic financial services, IT services, and government services.
4. Adequate compensation to NIPOST for the losses on Universal Service Obligation in the form of a reserved area and a fee.
5. Establishment of Universal Postal Sector Fund: As a signatory to the Universal Postal Union, it is obligatory for the Nigerian government to provide fast, efficient, and cost effective delivery of mails to all the nooks and crannies of the country. The Universal Postal Sector Fund is to be funded by a levy on all postal items and the federal government compensates for the cost of providing commercially unviable universal postal service (currently estimated at ₦2.2 billion annually) by the Public Postal Operator, NIPOST.
6. Establishment of Universal Postal Services Board: This Board administers the Universal Postal Sector Fund. One of the important functions of the board is to make appropriate recommendations to government on Universal Postal Services development policies.
7. Restructuring of NIPOST along business lines.
8. Establishment of a new management style that focuses on operational excellence, quality improvement, customer focus, result-oriented management, and cost control.
9. Deployment of massive ICT infrastructural system with focus on carrying out ICT-based services, including on-line and automated services.
10. Improvement in the quality of service and process efficiency, thereby regaining public confidence in their service delivery.
11. Development of the Postal Sector Bill.
12. Development of a business enterprise plan, which has been the main starting point for the restructuring and strengthening of NIPOST activities and describes the main steps and conditions necessary to transform NIPOST into a market driven, efficient, and viable enterprise so as to create a strong vehicle to support social and economic development necessary for rural integration in Nigeria.
13. Investment in modernisation and human capital development.
14. Development of a National Financial Inclusion Strategy (NFIS). The strategy is to decrease the percentage of Nigerians that are excluded from financial transactions from 46.3% to 20% in 2020. The main objectives that are set for 2020 are:
  - a. 80% of Nigerian adults should have access to financial services
  - b. 70% should be served by formal financial institutions, while 10% of Nigerian adults may be served by the informal sector

It is expected that NIPOST can contribute substantially to financial inclusion, in collaboration with private partners and raise the level of financial inclusion, particularly in rural areas. Currently, the role of NIPOST in financial service provision is very limited. Only 0.02 % of NIPOST's revenue comes from financial services, which is extremely low compared with post offices in other countries. Post offices have the potential of a cost-efficient service delivery as multiple services can be offered through the same infrastructure.

By offering standardised financial services, where no exceptions are allowed, the costs per processed transaction can be kept low. As a result, financial services can be provided at an affordable price to people. The post office network is also the densest network of the country with presence in areas that are currently excluded. In actualisation of the NFIS project, government has contracted Nethpost Consulting of the Netherlands as the consultants for the financial inclusion project and to investigate the most suitable public-private partnership (PPP) arrangement(s) to support NIPOST effective participation in the scheme. In addition, government is developing 3,000 postal outlets of NIPOST across the country as financial and economic transaction points.

15. Development of the mobile money initiative (MMI) to further drive the National Financial Inclusion Strategy project. The MMI is supported by telecommunications infrastructures, and it is expected to play significant roles in driving the project in Nigeria. The mobile money transactions have been recording steady growth since the issuance of about 16 licences to participating companies. At the moment, the total value of money transactions currently stands at ₦228 million and is expected to increase to ₦151 billion by 2015, while the total volume of non-store shopping increased from ₦ 62 billion in 2011 to ₦ 77.5 billion in 2012. It is expected that the value will increase to ₦ 658 billion by 2015.
16. Restructuring of NIPOST with the layoff of about 4,000 of its 9,000 staff for operational efficiency.
17. Provision of e-Business services and creation of a virtual private network for 1,500 of its post offices across the country through an agreement signed with Galaxy Backbone Plc. in September 2009.
18. Improvement in debt collection through the setting up of a committee specifically dedicated to going after debts.
19. Securing and defending the integrity of Nigeria via effective interception of fake currencies, related items, and security-threatening mails/parcels.
20. Government approved a partial commercialisation status on NIPOST based on the recommendations of the white paper on Stephen Oransanye led Committee Report on Reforms in the public sector/Agencies
21. Installation and deployment of International Postal System (IPS), an UPU (Universal Postal Union) platform in all post offices nationwide, for tracking and tracing of all shipments (both international and domestic mail items) to enhance safe and efficient delivery of mail

## Key Challenges

1. Non enactment of the Postal Sector Act by the National Assembly
2. Lack of political will to implement fully the new postal sector policy, particularly the establishment of the National Postal Commission to regulate postal services in the country

3. Dilapidated, weak, and dated postal infrastructure
4. Postal services constrained by the public transportation system
5. Monopoly on letters below 500 grammes creates lack of competition
6. Lost mails and poor public image of NIPOST resulting in the loss of confidence in postal services
7. Poor infrastructure and high operational costs
8. The need for manpower re-training to meet new dimensions of technology and private sector led operations with minimal government support.
9. Difficult to ensure unreached communities are brought within the purview of the new postal dispensation

## Assessment of Reform Initiative

Against our 10 criteria for assessment, it is evident that there is an appreciable level of success with the reforms. However, there are a lot that still needs to be done.

S/No.	Assessment Criteria	Result of Assessment
1.	Has the postal sector reform improved the quality and quantity of public services?	The Postal sector reform has improved the public service in terms of the quality of service and process efficiency, operational efficiency, customer focus, cost control, etc., thereby enabling NIPOST to regain public confidence in their service delivery.
2.	Do more people now have access to services, including disadvantaged groups such as women, young persons, and people with disabilities?	More people now have access to NIPOST's services. The provision of basic financial services, IT services, and the use of financial and digital inclusion initiative to reach rural areas has improved access.
3.	Has the postal sector reform reduced the cost of governance?	It has reduced the cost of governance in terms of participating in achieving government's target of increasing access to financial and digital services.
4.	Has the postal sector reform made services more affordable for citizens?	Public postal services are more affordable than private sector courier services.
5.	Has the postal sector reform reduced corruption?	Yes. The increased use of ICT, Internet-based service, and biometrics for service delivery has reduced the opportunity for corruption in the sector.
6.	Has the postal sector reform reduced unnecessary bureaucracy and red tape?	The new management style that focuses on operational excellence, quality improvement, customer focus, result-orientation, and cost control has assisted to reduce unnecessary bureaucracy and red tape.
7.	Has the postal sector reform led to improved development	The reform in the sector has led to improved development outcomes through the usage of

S/No.	Assessment Criteria	Result of Assessment
	outcomes?	NIPOST to further augment government's policy effort to raise the level of financial inclusion, especially in the rural areas.
8.	Are things improving, staying the same, or getting worse?	Things are improving, particularly as NIPOST has been repositioned to participate in increasing access to financial and digital services.
9.	Where things are improving, will those improvements endure?	The improvements are likely to endure.
10.	Where things are not improving, what should be done?	Not Applicable.

## Next Step Actions

1. Speed up the establishment of the National Postal Commission. This will help to eliminate the role that NIPOST plays as both operator and regulator in the postal service sector. It would be difficult for any organisation to regulate itself since it is hardly going to enforce or create rules that will threaten its position in the market and favour its competitors. To create a truly competitive environment where everyone has a fair chance of succeeding, an independent body will need to be established and backed by law with all the powers it needs to pursue offenders, including NIPOST, to the full letter of the law.
2. Commercialise/privatise NIPOST to give it autonomy independent of government interference. Restrained commercial mandates will go a long way in making NIPOST a commercial viable entity. Commercialising/privatising NIPOST will allow it to pursue a strategy of aggressive growth and efficiency, diversification, and internationalisation.
3. Apply public-private partnership (PPP) arrangement(s) to promote NIPOST's provision of financial services and to enhance its effective participation in the financial inclusion project.
4. Open up the postal sector to greater competition. A gradual elimination of the monopoly that NIPOST currently enjoys for all postal articles below 500 grammes, as enacted in the Nigerian Postal Service Decree, would help foster competition in the sector. Competition usually leads to increased efficiency by operators within any business sector and invariably lowers cost of operations, which leads to improved services and lower costs for all customers.
5. Enactment of the Postal Sector Act.
6. Restructuring of NIPOST into new business units taking recognition of the fact that postal operations are evolving due to developments in information systems, postal automation and retail services, logistics, and distribution technology. Modern postal services now see themselves as logistics and distribution companies, rather social service provider.
7. Privatisation of the business units.

8. Need for an efficient transport system that will play a crucial role in producing an efficient postal system. The more efficient the transport system, the quicker and cheaper it would be to deliver postal services.
9. Need for a reliable postal system to increase confidence in the postal service.
10. Procurement of up-to date equipment that could aid the effective monitoring and detection of security threatening mails/parcels.
11. Need to pursue the National Addressing Policy (NAP) to ensure proper street naming and numbering of cities/towns throughout the Federation to facilitate efficient delivery of mail and other postal services