

Postal banking spreads in Africa

By Elisa Barwick

22 Oct.—On 7 October the President of Burkina Faso, Captain Ibrahim Traoré, launched the Postal Bank of Burkina Faso, to strengthen the nation's path towards economic self-determination. This follows the creation of the Treasury Deposit Bank, the country's first state bank, in August, and is part of a plan to make financial services more accessible across the country, support small to medium enterprises, mobilise resources for development, and ultimately, establish financial and economic sovereignty. ("West African nations make a break for sovereignty", AAS, 21 August.)

African news site *Noir Press* reported on 8 October: "Burkina Faso has taken a bold step toward financial independence with the launch of the Postal Bank of Burkina Faso. This significant move initiated by President Captain Ibrahim Traoré, is seen as a milestone in the country's gradual departure from the colonial-era CFA Franc, a currency that has long been a symbol of external financial control in West Africa."

According to the *Noir Press* article, the Postal Bank is particularly targeted at underbanked rural communities that have been deserted by major banks, restoring financial inclusion.

The government has also created the Deposit and Investment Fund to "channel resources into critical sectors such as infrastructure, agriculture, and education—pillars of long-term economic growth", reported *Noir Press*. Speculation is growing, reported the paper, that the government is considering issuing its own currency to secure "full financial sovereignty", or entering into a joint currency arrangement through the Alliance of Sahel States with Mali and Niger. All three countries currently use the CFA franc, introduced by France.

The Prime Minister of Burkina Faso, Apollinaire Kyelem de Tambela, has just participated in the 8-11 October Burkina Faso Economic Days forum in Moscow, Russia. The PM told Sputnik that his country is seeking new partnerships, and alternative monetary arrangements including independent payments systems to facilitate bilateral trade and financial relations.

South Africa postal bank progress

An important step in achieving a state-owned bank for South Africa was achieved just over a year ago when President Cyril Ramaphosa gave assent to the Postbank Amendment Bill. South Africa has had a postal bank since 1875, which provided basic transactional banking services. But as major banks close their branches—a global trend accompanying digitisation—a government push for the Postbank (operating through over 2,000 post offices) to become a fully-fledged bank commenced in 2010. The biggest problem in making that happen, however, was that the South African Reserve Bank cannot grant a full banking licence to an entity that is not financially sound. The South African Post Office, which hosts Postbank, like many post offices worldwide, has struggled as mail services declined. Thus the government moved to separate Postbank from the Post Office, transferring the post office's holding to the government, in order to transform it into a full service bank.

It would have been preferable for South Africa to find a way to follow the example of nations which saved their post offices from the death clutches of declining mail service by transforming them into banks—like France's La Banque Postale or Switzerland's PostFinance—but doing so may



Leaders of Burkina Faso at the opening of the postal bank. Photo: Facebook/Africa View Facts

require overhauling the entire central banking architecture. While not seizing upon this route, the South African government did commit to upgrading the South African Post Office with accompanying legislation, proposing a restructuring, recapitalisation and expanded service mandate, including for courier services, integrated logistics and e-commerce.

The Ramaphosa government's insistence on establishing a government-owned and -run state bank to finance development, either via the Postbank pathway or other options, has already brought it into conflict with its own central bank and international agencies. ("South Africa fights for control over banking", AAS, 3 Aug. 2022.) Interestingly, former Reserve Bank Governor and finance minister (2018-21) Tito Mboweni, who once shilled for international banking agencies such as the Bank for International Settlements, became a firm advocate for a state bank. Sadly, Mboweni passed away on 12 October. His successor (2021-present), Enoch Godongwana, has not been a fervent supporter.

In September 2023 the legislation to create the government postal bank was finally approved, and in February this year, President Ramaphosa declared the new law in effect. Postbank is now preparing its licensing application, to be filed in the 2024/25 financial year.

AAS coverage in 2022 relayed warnings that the "separation" route the Ramaphosa government has been forced to take could jeopardise both the post office and the postal bank, which appear to be materialising. Local news outlets report that Postbank is struggling to stem losses "as it gears up to launch as a full-service commercial bank in the coming year". The bank required a significant investment so it could provide a new service for the government, disbursing grants, given as the reason for a 2 billion Rand (around \$170m) loss in 2022/23.

The bank will be intervening in a "highly concentrated", "highly competitive field already dominated by the largest banks on the continent", reported the *Daily Investor*, by making a bid "to communities not catered to by traditional retail banking, SMEs, and the public sector". The paper cites Bank Zero chairman and former chair of one of South Africa's "Big Four" banks, Michael Jordaan, who implies that Postbank will not be up to the challenge of competing with the private sector, given the complexity of commercial banking, the skillset required, the lack of banking experience of its executives, and necessity for expensive anti-scam technology—"Postbank would be well advised to stick to transactional banking", he concluded, and "refrain from offering credit".

But Postbank says there are some 6.5 million people in the country who are "unbanked" and 15 million who are "under-banked"; additionally, there is around R12 billion floating around outside the formal banking system, according to BusinessTech. Postbank also sees huge potential in servicing the small-medium enterprise sector. Postal banks are the leading deposit-takers in several other African countries and operate various financial services in many more.