1. HISTORICAL BACKGROUND AND CORPORATE OR LEGAL STATUS

On January 1, 1985, the Nigerian Postal Service (NIPOST) was established from the postal division of the Post and Telecommunications Department. NIPOST was constituted as an extra-ministerial department under the supervision of the Ministry of Communications to promote the development of economic postal service for the federation. However, in the wake of the drive to commercialize NIPOST, the Federal Government promulgated Decree 41 of 1992 to give NIPOST the status of a parastatal from the status of extra-ministerial department.

The late 1970s and early 1980s saw the emergence of private firms offering significantly higher quality document and merchandise delivery services than the traditional services rendered by the post office. This scenario led to the gradual incursion of private operators into the market. The EMS had to be established in 1986 by NIPOST in collaboration with other UPU member countries as a response to the incursion of private courier companies into areas otherwise regarded as the preserve of the post office.

2. BRIEF ON ENTERPRISE PRODUCTS OR SERVICES

Postal development in Nigeria is at a very low level taking into consideration the average number of letter items posted per head of the population employed in the postal and related sectors. In Nigeria, the core postal services (letters, parcels, express mail and counter services) generate more than 95 per cent of total revenue of NIPOST. Revenue shares for parcels and counter services are negligible.

3. SHAREHOLDING STRUCTURE

NIPOST is 100 per cent owned by the Nigerian Government.

4. CURRENT STATUS OF THE ENTERPRISE

The reform in the postal sector became imperative when public confidence in the country’s postal system was completely eroded due to the inability of the public postal operator (NIPOST) to deliver on virtually all statutory obligations. These include such basic and core postal services as letter, parcel and express mail delivery and counter services. Even NIPOST’s primary role as a mobiliser of
savings at the grass root was easily supplanted by banks when such institutions as WAEC ceased to patronize NIPOST as the processing center of choice despite the obvious advantages.

Other such weaknesses are 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.

5. OVERVIEW OF THE SECTOR TO WHICH ENTERPRISE BELONG

The Nigerian Postal Service Act 1992 gives exclusive rights for mail handling to NIPOST for all postal articles below 500 grams. However, competition for NIPOST is substantial. Almost 200 courier companies have been legally licensed and moreover many other transport companies (legal and illegal) are active in the postal sector. These companies are competing with NIPOST in various sectors of the postal market: not only in the market for courier items but also in the letter and parcel market.

6. REFORM PLAN OR PROPOSAL FOR THE ENTERPRISE

The reform is therefore intended to ensure that postal services are available to all citizens of the country no matter where they are at affordable cost and in a timely and efficient manner. While aligning the postal sector to global development in information communication technology, the reform also aims at institutionalizing commercial practices in the sector and introducing private sector participation. In addition to creating an enabling and competitive environment with independent regulation, the reform will also broaden the scope and depth of services provided to include savings mobilization, payment and funds transfer system for the entire country through the vast postal network.

It was in the light of the foregoing that the National Council on Privatization (NCP), through the BPE, embarked upon the current process of instituting economic reform in the Nigerian Postal Sector in general and, in particular, to reposition NIPOST for optimum operational efficiency.

To enhance the activities in the reform of the postal sector, Nethpost Consultancy of the Netherlands was engaged on March 12, 2007 to provide advisory services for the reform of the sector and the restructuring of the Nigerian Postal Service (NIPOST).
OBJECTIVES OF THE POSTAL SECTOR REFORM

- Establish a low cost universal postal service that provides a solid communication medium and link nation-wide;
- Provide a safe and efficient postal service that is sustainable and keeps pace with development in the rest of the world;
- Introduce private sector participation and the development of the postal service into a commercially viable enterprise, and
- Create a convenient means of savings mobilization and payment/funds transfer system for the entire country through the postal network.

HIGHLIGHTS OF THE POSTAL SECTOR POLICY

The new postal sector policy has been approved by NCP and the highlights of the policy are as follows:

- Separation of the roles of policy making, sector regulation and operations. The Ministry of Information and Communication will be responsible for policy formulation, sector regulation will be undertaken by the new National Postal Commission (NPC), while public postal operations will be handled by NIPOST;
- Designation of NIPOST as the Public Postal Operator, so as to fulfill the Universal Service Obligation (USO), by maintaining and extending a nation-wide postal network for the provision of affordable and reliable quality services;
- The post office network should be well suited for the provision of public interests services such as basic financial services, IT services and government services;
- Adequate compensation to NIPOST for the losses on Universal Service Obligation in the form of a reserved area and a fee;
- 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, to be funded by a levy on all postal items and the Federal Government, will compensate for the cost of providing commercially unviable universal postal service (currently estimated at ₦2.2 billion annually) by the Public Postal Operator, NIPOST; and
- Establishment of Universal Postal Services Board: This Board will administer the Universal Postal Sector Fund. One of the important functions of the board is to make appropriate recommendations to the government on Universal Postal Services development policies.

The key provisions of the Postal Sector Policy have been incorporated in the harmonized Information Communication Technology (ICT) Policy which was produced by the Federal Ministry of Information Technology and has been approved in principle by the Federal Executive Council (FEC.)
THE POSTAL SECTOR BILL

At its second meeting for 2013 which held on February 28, 2013, the National Council on Privatisation (NCP) approved seven reform bills being midwifed by its Secretariat, the Bureau of Public Enterprises (BPE.) Among the bills is the Nigerian Postal Commission Bill.

The objectives of the Nigerian Postal Commission Bill are as follows:

- Promote the implementation of the National Postal Policy as may from time to time be modified and amended;
- Establish a regulatory framework for the Nigerian postal industry and for this purpose, to create an effective, impartial and independent regulatory authority;
- Promote the provision of modern universal, efficient, reliable, affordable and easily accessible postal services and of the widest range thereof throughout Nigeria;
- Encourage local and foreign investments in the Nigerian Postal industry and the introduction of innovative services and practices in accordance with international best practices and trends;
- Ensure fair competition in all sectors of the Nigerian Postal industry and also encourage participation of Nigerians in the ownership, control and management of postal organizations;
- Encourage the development of postal manufacturing and supply sector within the Nigerian economy and also encourage effective research and development effort by all postal industry practitioners;
- Protect the rights and interests of service providers and consumers within Nigeria;
- Ensure that the needs of the disabled and elderly persons are taken into consideration in the provision of postal services, and
- To ensure an efficient management, including planning, coordination, allocation, assignment, registration, monitoring and use of scarce national resources in the postal sub-sector and also promote and safeguard national interests, safety and security in the use of such resources.

7. ENTERPRISE PROSPECT

The business plan for NIPOST is the main starting point for the restructuring and strengthening of NIPOST, describing 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. Key components of the restructuring process are as follows:

- The corporatization of NIPOST as a limited liability company;
• Undertaking of measures to regain public confidence in service delivery by improving the quality of service and improvement in process efficiency;
• Become market and customer driven;
• Diversification of public interest services;
• Collaboration in public private partnership;
• Implementation of universal service obligation; and
• Engagement in modernization and increased investments and human capital development.

This will entail maximizing its major strength of having the largest network of outlets in Nigeria while its major weakness of investment backlog, lack of autonomy and bureaucratic nature will be gradually resolved. This transformation will modify the relationship between NIPOST and the Federal Government significantly, as while NIPOST will operate under Corporate and Allied Matters Act (CAMA), the FGN will be the sole owner in the short run and will focus only on determining policies, compensation for universal service obligation, legislation and international treaties. A performance agreement between the FGN and NIPOST will express performance targets to be achieved by NIPOST and conditions to be fulfilled by the FGN.

The BPE is presently liaising with the Office of the Attorney General of the Federation to finalise the draft bills for consideration by the Federal Executive Council. The challenge is scheduling the Bill for presentation at FEC and passage at the National Assembly.

**National Financial Inclusion Strategy**

The Central Bank of Nigeria (CBN) has developed a National Financial Inclusion Strategy. The strategy is to decrease the percentage of Nigerians that are financially excluded from 46.3% in 2010 to 20% in 2020. The main objectives that are set for 2020 are:
- Eighty percent of Nigerian adults should be included;
- Seventy percent should be served by formal financial institutions; hence 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. The main reason for CBN to sponsor the PPP project for NIPOST is the assumption that the post offices can contribute in achieving the set targets. Currently, the role of NIPOST in financial service provisioning 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.
International best practices show that postal financial services can extend the financial sector to unbanked communities and to remote and rural areas. Post offices have the ideal characteristics to base their business model on the principles that are required to offer financial services to people that are currently excluded.

They have the potential of a cost-efficient service delivery as multiple services can be offered through the same infrastructure. By offering standardized 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.

CBN has contracted Nethpost Consulting of Netherlands as the consultants for the financial inclusion project and to investigate the most suitable “PPP arrangement(s) for NIPOST to improve financial inclusion.”

The project is phased into four stages:

- Phase One – Overview of retail banking sector;
- Phase Two – Best practice study;
- Phase Three – Development of Business Case; and
- Phase Four – Bidding Process