

Namibia: Establishment of a payment system for the NamPost Savings Bank

Ex post evaluation report (final evaluation)

OECD sector	2403000	
BMZ project ID	2003 65 841 (investment), 2003 70 320 (parallel measure)	
Project executing agency	NAMIBIA POST LTD	
Consultant	HANS-WERNER RUDOLF MATTHAEI	
Year of ex post evaluation report	2010 (sample 2010)	
	Project appraisal (planned)	Ex post evaluation (actual)
Start of implementation	Q II 2003	Q I 2006
Period of implementation	20 months	36 months
Investment costs	EUR 3.38 million	EUR 3.15 million
Counterpart contribution	EUR 2.02 million	EUR 1.97 million
Financing, of which Financial Cooperation (FC) funds	EUR 1.18 million	EUR 1.18 million
Other institutions/donors involved	-	-
Performance rating	2	
• Relevance	3	
• Effectiveness	2	
• Efficiency	2	
• Overarching developmental impact	2	
• Sustainability	1	

Brief description, overall objective and project objectives with indicators

The project involves establishing an operational nationwide payment system for the NamPost Savings Bank, which is part of the Namibian Post Ltd. (NamPost). The project was intended to improve access to financial services, especially transfers, in particular for hitherto disadvantaged sections of the population, thus making a contribution to strengthening and extending the financial system (overarching development-policy objective).

The project included an FC loan of EUR 0.88 million, which was used to cover part of the costs of equipping NamPost branch offices with computer hardware and software and of linking the branch offices to head office by means of a network. Moreover, within the framework of a parallel measure, assistance was provided for an internal support system at NamPost and training was provided for cashiers and administrators at a cost of EUR 0.30 million.

The FC-financed measures were an important precondition for the subsequent introduction by NamPost of smart cards (electronic chip cards that can be used to pay in and withdraw cash) as well as the pertinent infrastructure and readers. The smart card technology, which is now used to handle most financial services, including payment transactions, was financed entirely by NamPost. This is an internal NamPost solution (at micro level) and is not part of any nationwide clearing system.

Design of the development intervention / major deviations from the original project planning and the main reasons for these

For the investment-related part of the FC measure, the Republic of Namibia received a long-term FC loan (term: 40 years, 10 years grace period, 0.75 % interest) of EUR 883,766.83 (remaining funds were reallocated), which it passed on to NamPost on the same terms. These funds were used to finance a share of the costs of computer hardware and software for the branch offices, network infrastructure and upgrading central applications (reimbursement procedure). Contracts for supplies and services were placed with local systems businesses and service providers in line with national procurement guidelines. Over and above this, NamPost received an FC financial contribution of EUR 300,000 for a complimentary measure, which was used to finance part of the costs of basic computer skills training, software-specific training and user training for computer-assisted financial products. The courses were attended by between 250 and 350 staff members. The FC funds were disbursed in their entirety. The above-mentioned final review (local and accounting monitoring) confirmed that funds had been used for the purpose intended. NamPost shouldered a remarkable two-thirds of the total costs. From today's stance it would have been thinkable to offer a loan on terms closer to market conditions for the investment component. Given the major contribution made by NamPost itself though and the development-policy importance of the measure reflected in its pilot nature and in the cuts in fees charged to NamPost clients, we consider the terms of financing to be justified all in all. On the initiative of the project executing agency, the originally appraised project concept was modified during the implementation phase to embrace the introduction of an electronic, card-based solution (smart cards), which was financed in its entirety by NamPost. The pertinent infrastructure in post offices builds on the FC-financed measure. NamPost has established a joint venture (SmartSwitch) with the technology provider. This is now responsible for establishing, financing and operating the system and has run system-specific training courses for staff members.

Major findings of the results analysis and performance rating

The project laid important foundations at NamPost Savings Bank for the subsequent introduction of smart card technology. In this way NamPost has been able to significantly enhance its range of financial services, especially transfers, and has been able to run these more cost-effectively. In view of the lack of competition from the banking sector in this field, customer demand for smart card financial services has risen consistently. The project has thus made a contribution to broadening and deepening the Namibian financial system. Measures were not geared either to gender equality or to environmental protection and conservation of natural resources. It had an impact on poverty reduction primarily at sectoral level, since the rural population was the main beneficiary of the project. It was not an objective of the project to promote participatory development or good governance.

We assess the developmental effectiveness of the project as follows (information on the performance rating system can be found in the information leaflet entitled "Criteria and rating system in ex post evaluation reports on German bilateral FC" of 14 September 2006"):

Relevance: The development-policy importance of the project still applies. German development cooperation is the only donor in the field of financial systems development and the approach selected is aligned with Namibian priorities. The project concept initially presented at the time of the project appraisal and the objectives system are not entirely conclusive and fail to lay out precisely how the FC-assisted project (computerisation and networking of the NamPost branch offices) is intended to help give customers easier access to financial services, especially cash transfers (project objective) in line with the original concept. The smart card technology, which can be seen in retrospect to be an important component in project success, was only adopted in the course of implementation and was financed by NamPost itself. For these reasons it was impossible to determine clearly whether FC had provided a vitally important impetus for the project as a whole in spite of the comparatively limited financing made available, or whether NamPost would in any case have pushed ahead with the project even without FC support, given its stable financial situation and have achieved a comparable result (question of the subsidiarity/additionality of the FC contribution). The FC-financed measures were in any case, in retrospect, an important precondition for the results achieved.

The objectives system, modified within the framework of the ex-post evaluation, the plausibility of the results chain and the results achieved prove the high level of relevance of the project. Given the lack of interest on the part of commercial banks and the underdeveloped microfinance market, the project, in its final form and as further developed by NamPost itself, represents a suitable approach to achieving the objectives (in the state of the art form), in spite of certain weaknesses in the project design and in spite of the fact that the option of linking up to the national payments system was not examined and has not been realised to date. Taking into account the aforementioned conceptual weaknesses we thus still deem the relevance to be satisfactory (rating 3).

Effectiveness: According to the appraisal report the objective of the project was to build a nationwide operational payment system for the NamPost Savings Bank. The achievement of the modified objective can only be reviewed with the help of indicators established retrospectively, or by means of the number of smart cards issued and the frequency with which these are used for various financial transactions (saving, transfers, withdrawals), the development of payment transactions before and after the project, the development of transaction costs, and the regional distribution of utilisation of the system by the target group. Although structured data is not available for all these indicators, we consider the results presented to be clear enough to provide evidence of the generally positive results to which the FC measure contributed.

The objective laid out in the 2003 appraisal report, to put in place the technical preconditions for NamPost to begin lending activities, with the help of the FC project, has been achieved, albeit on the basis of a project concept that was modified at a later date. To sum up, we consider the effectiveness achieved to be good (rating 2).

Efficiency: The economic efficiency of the NamPost Savings Bank and thus the production efficiency of the project should have improved thanks to increased turnover with smart card products. The data that would be required to assess this in more detail have not, however, been made available by NamPost. Positive note should be made of the

fact that NamPost did much to further develop the project, even during the implementation phase. Original plans only covered the computerisation and networking of NamPost branch offices. The subsequent introduction of the smart card technology resulted in major efficiency gains as compared to the original concept (because of lower transaction costs resulting from swifter processing and reduced personnel inputs per transaction, immediate data comparison with head office, and use of the smart cards for other financial products such as direct debits and paying in salaries/pensions).

The allocation efficiency can also basically be deemed positive, on the basis of the limited data available, since NamPost has passed on savings to customers in the form of lower charges for transfers, thus ensuring an effective and efficient allocation to all sections of the population, particularly poor households. The nationwide branch network of NamPost and the newly established distribution system, which uses cooperation partners, have also helped ensure effective allocation. Overall the efficiency is deemed to be good (rating 2).

Overarching developmental impacts: When the appraisal was conducted, the overarching development-policy objective was to improve access to financial services, especially cash transfers for hitherto disadvantaged population groups in particular. Seen today, it still does not seem necessary to explicitly involve the real economy or the link to poverty in the objectives system, given the financial-sector-specific problem analysis and project concept. The results chain could be made plausible enough so that the intended overarching development-policy objective has, in all probability, been achieved. As already mentioned, from a sectoral viewpoint, the NamPost smart card system should be better prepared for linking up to the inter-bank system (which is in principle possible). Because of the improved access to financial services already achieved nationwide, in particular with respect to domestic cash transfers for disadvantaged population groups who have hitherto effectively been excluded as a result of the oligopolistic banking market and the prohibitively high charges in place, we accord a rating of 2.

Sustainability: The high level of development-policy effectiveness of the project achieved so far can be expected in all probability to be retained or even improved on as a result of the high level of ownership on the part of the project executing agency, its stable economic situation and ongoing investment in maintenance and modernisation (rating 1).

Overall we consider the developmental impacts achieved by the project to be good (overall rating 2).

General conclusions

In spite of the generally positive results of this ex-post evaluation, the following aspects should be borne in mind when similar approaches in other countries are examined:

To support nationwide financial systems development and promote healthy competition between financial intermediaries it is a good idea to determine to what extent a solution that can be used by several financial institutions can be promoted to foster cost-effective and secure payment transactions. One example is offered by the FC-assisted Ghana Interbank Payment and Settlement Systems Ltd., a subsidiary of the central bank, which acts as a service provider and clearing house for smart cards issued by all banks. It would be desirable to link the NamPost smart card system to the national clearing house in Namibia, and this should be done as soon as possible.

Development cooperation support for a payment system owned by only one institution calls at the least for a discussion of alternative options and a justification of the promotion approach selected. It should also be laid out more clearly how the FC measures help achieve the objective. In this case it was not clear from the original FC concept (which did not include the introduction of smart cards), but was nevertheless achieved thanks to the fact that the project concept was subsequently broadened in response to an initiative of the project executing agency.

Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being relevance, effectiveness (outcome), “overarching developmental impact” and efficiency. The ratings are also used to arrive at a final assessment of a project’s overall developmental efficacy. The scale is as follows:

- 1 Very good rating that clearly exceeds expectations
- 2 Good rating fully in line with expectations and without any significant shortcomings
- 3 Satisfactory rating – project falls short of expectations but the positive results dominate
- 4 Unsatisfactory rating – significantly below expectations, with negative results dominating despite discernible positive results
- 5 Clearly inadequate rating – despite some positive partial results the negative results clearly dominate
- 6 The project has no positive results or the situation has actually deteriorated

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates a project which has no sufficiently positive results.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability)

The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected.)

Sustainability level 3 (satisfactory sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability)

The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. A rating of 1 to 3 indicates a “successful” project while a rating of 4 to 6 indicates an “unsuccessful” project. In using (with a project-specific weighting) the five key factors to form an overall rating, it should be noted that a project can generally only be considered developmentally “successful” if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are considered at least “satisfactory” (rating 3).