



WORLD BANK

*Re-Positioning AzerPost
for the 21st Century*

Financial Services Development Project

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The project overarching goal is to *improve access to finance* for the (rural) Azerbaijani population



- **The major aim of the FSD project was to create a new Azer Post (AP) financial services platform to:**
 - Provide access to automated financial services through about its existing network of 1,200 regional and local post offices
- **The FSD project became effective in October 2005** for an amount of USD 12 million with about USD 5 million of Government support through the MoCIT

To enable AzerPost to deliver modern financial services:



1. **Improve human capacity.** Especially for cash and liquidity management, transaction support, and thereafter, ability to maintain account-based relationships with clients.
2. **Modernize IT and key accounting functions.** Including full control over IT services, modern equipment and application software.
3. **Provide connectivity over the majority of the post office network,** MoCIT uses different connection methods (landline, Wi-fi, and broadband satellite) instead of only broadband satellite, resulting in lower costs.

To do so required substantial technical assistance...



- A two year consultancy contract was provided AzerPost to strengthen operations and management:
 - **core functions:** postal services, money transfer management, budgeting and performance management, accounting, human resource management etc.
- A separate firm was engaged to write software to provide AzerPost the capacity to develop applications for automating core and new business functions
 - **new functions:** cash and liquidity management, asset management, account management

And investments of about \$5MM from the Azerbaijan Government



- **To improve the financial architecture, particularly for:**
 - MoCIT built / expanded fibre-optic infrastructure for connectivity ~ first in Baku, then with provincial or regional sites.
 - Village post offices (the 'last mile') to be connected through different methods (landline, Wi-fi, or satellite in most remote sites)
- **The World Bank project has financed to date:**
 - Mainframe computers for the HQ and back-up facility
 - Software production for the business applications
 - Training of HQ and regional staff and development of processes
 - Computer equipment for central regional offices and post offices in Baku.

The project has faced significant implementation challenges.



- **Lack of adequate human capacity.** The single most significant factor causing implementation delays (low salaries initially made it difficult to attract qualified staff).
- **Complexity and large size of the contracts** financed by the project
- **Connectivity implementation** – through much of country was prolonged owing to testing each site for optimal approach to connectivity, physical installation, etc.
- **FSD Project closing date was extended by one year** to June 2010 to provide sufficient time to implement the final phase of the connectivity of > 1,000 targeted post offices to the AP HQ.

However, a number of key factors mitigated the many challenges.



- The commitment of the MoCIT and Central Bank of Azerbaijan to the objectives of the project:
 - Dedicated, well resourced Project Implementation Unit (PIU) at the central bank
 - AzerPost financial and postal services legally separated through new LLC formed
 - New General Director of AzerPost Financial Services appointed
 - MoCIT authorized AP financial to:
 - raise salaries of HQ staff supporting implementation
 - Make other staff redundant

The provision of technical assistance has been essential.



- With the help of the two consultancy firms, the following were also achieved:
 - Internal guidelines developed and training of staff
 - The first full business strategy of the AP for 2009-2011, approved by the MoCIT in November 2008
 - The new chart of accounts (general ledger) for AzerPost and core business automation platforms developed
 - Restructuring of the AP
 - HQ restructured in August 2007 and the 70 regional offices in January 2008.

Progress to date has been substantial...



Indicators	Baseline (2005/2006) *	Progress (June 2009)	Proposed Target (June 2010)
% of targeted (a) cities; (b) rayon centers; (c) rural areas that have access to automated financial services by AP	0	(a) 50%, (b) 0; (c) 0	(a) 100 %, (b) 100%; (c) 80%
Volume of automated financial services	35.7 million	182 million	240.8 million
Number of automated financial services transactions	17.7 million	20.5 million	23.5 million
Productivity of AP measures as revenues/number of staff	925	1163	2176
Number of regional offices with the ability to provide newly automated financial services	0	6	70
Number of types of newly automated financial services	0	0	4 **

*The AP currently provides two types of automated financial services: (i) postal money orders and (ii) collection of utility payments - using an old system.

** This includes postal money orders, utilities payments, account opening, and foreign exchange (upon receipt of a limited-scope banking license in 2010).

Although critical procurements still remain...



- **Procurement of equipment** for automation and connectivity of the 57 regional offices (out of the total 70) is expected to be completed by end-2009.
 - Installation of the remaining modules of 'core banking system' is expected to be completed by around end-2009.
- Remaining critical procurements include:
 - Equipment for landline connection for 746 post offices and for wireless connection for 177 post offices, expected by end-Q1 2010.
 - PC and connectivity equipment for automation of 800 post offices, contract expected by December 2009. Delivery 1/2Q10
 - Armored cars and end-2009 external audit

By mid-2010, 1029 post offices to be connected to the AP platform.



- About 1,200 AzerPost post offices to be connected by end-2010:
 - 1,029 offices are slated to be connected by the June 2010
 - (including 213 post offices in cities, 107 post offices in small urban areas and 709 post offices in rural areas).
 - Remaining 171 post offices in remote areas will be connected by end-2010
 - via satellite by the MoCIT using its own funds.
- The reminder of 238 post offices outside the FSD project (or 1538-1200) are quite remote and/or with very little volume.



Thank you.