

**Assessment of the performance and  
achievements of the Project Building  
Inclusive Financial Sector in Mozambique  
(BIFSMO)**

**MID-TERM REVIEW**

Dr André NSABIMANA  
CONSULTANT

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**TABLE OF CONTENTS**

LIST OF ACRONYMS ..... 4

DISCLAIMER ..... 6

PROGRAMME DATA SHEET..... 7

1. EXECUTIVE SUMMARY..... 8

    1.1 PROJECT DESIGN. .... 8

    1.2 PROJECT IMPLEMENTATION..... 8

    1.3 KEY PROJECT RESULTS ..... 9

    1.4 KEY EVALUATION FINDINGS AND LESSONS LEARNT ..... 9

2. THE EVALUATION..... 12

    2.1 PURPOSE OF THE MID-TERM EVALUATION ..... 12

    2.2 EVALUATION METHODOLOGY ..... 12

3. COUNTRY CONTEXT..... 13

    3.1 SOCIAL AND ECONOMIC INDICATORS ..... 13

    3.2 INFRASTRUCTURE..... 14

    3.3 FINANCIAL AND MICROFINANCE SECTORS: CHALLENGES AND OPPORTUNITIES..... 14

    3.4 PROGRAM HYPOTHESIS, OBJECTIVES AND TARGETS. .... 20

4. PROGRAMME STATUS..... 21

5. EVALUATION FINDINGS. .... 22

    5.1 PROGRAM STRUCTURE..... 22

    5.2 PROGRAM IMPLEMENTATION. .... 23

6. PROGRAMME RESULTS..... 27

    6.1 PROJECT RESULTS ON THE NATIONAL STRATEGY IMPLEMENTATION PLAN. .... 27

    6.2 PROJECT RESULTS ON CAPACITY-BUILDING FOR MSPs ..... 30

    6.3. PROJECT RESULTS ON INNOVATIVE FINANCIAL PRODUCTS. .... 33

7. ASSESSMENT OF THE MICROFINANCE SECTOR IN MOZAMBIQUE..... 39

7.1 REGULATORY FRAMEWORK..... 39

7.2. MICROFINANCE MARKET STRUCTURE..... 41

7.3 MARKET CONCENTRATION AND MFIS LOCATION..... 43

7.4 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND CONSTRAINTS..... 44

7.5 STRATEGY FOR STRENGTHENING THE CAPACITY OF THE SECTOR..... 45

8. SUSTAINABILITY OF THE RESULTS..... 46

9. LESSONS LEARNED..... 46

10. RECOMMANDATIONS..... 47

ANNEXES ..... 50

## LIST OF ACRONYMS

ADB	African Development Bank ( AfDB)
AMOMIF	Association of Mozambican Microfinance Institutions
BIFSMO	Building an Inclusive Financial Sector in Mozambique
BM	Banco de Moçambique/ Bank of Mozambique
CPAP	Country Programme Action Plan
CPD	Country Programme Document
CRA	Country Resident Advisor
DFID	Department for International Development
DNPDR	Direção Nacional para a Promoção do Desenvolvimento Rural
DPPF	Provincial Directorates for Planning and Finance
FARE	Fundo de Apoio a Reabilitação Económica
FSPs	Financial Service Providers
FSTAP	Financial Sector Technical Assistance Programme
GAPI	Gabinete de Consultoria e Apoio a Pequena Industria
GDP	Gross Domestic Product
HDI	Human Development Index
MSP	Microfinance Service Providers
NS	National Microfinance Strategy.

PRODOC	Project Document
RFS	Rural Finance Strategy
RFSP	Rural Finance Support Program
RG	Reference Group
SOCREMO	Sociedade de Credito de Moçambique
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WB	World Bank
WDI	World Development Indicators

## **DISCLAIMER**

The reports evaluation and recommendations do not necessarily reflect the view of the United Nations Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP), its executive Board or the United Nations Member States. This is an independent report commissioned by UNCDF/UNDP and reflects the views of its author.

## PROGRAMME DATA SHEET

Country: Mozambique  
Programme Title: Building Inclusive Financial Sector in Mozambique (BIFSMO)  
Programme:

### Financial Breakdown (by donor).

<b>UNCDF</b>	<b>US \$ 1,150,000</b>
<b>UNDP</b>	<b>US \$ 800,000</b>
<b>UN Joint Program Funds</b>	<b>US \$ 630.000</b>
<b>GOVERNMENT</b>	<b>IN-KIND</b>
<b>TOTAL BUDGET</b>	<b>US \$2.580.000</b>

**Management Arrangement:** NEX for UNDP, DEX for UNCDF  
**United Nations Implementing Agency:** UNDP, UNCDF  
**Government Counterpart:** MINISTRY OF PLANNING AND DEVELOPMENT  
**Project Duration:** 2007-2009 Extension to 2011

## **1. EXECUTIVE SUMMARY.**

### **1.1 PROJECT DESIGN.**

When the project was identified in 2007, analysis of the socio-economic situation in Mozambique indicated that the country was facing a high economic growth but has limited access to finance. In order to build a competitive, sustainable and inclusive sector, the project focuses on four key gaps identified as being the most significant for the development of an efficient microfinance sector: (i) establish an effectively functioning coordination in the sector that can be the vehicle for policy debate, development and implementation of the action plan of the NS; (ii) facilitate access to specialized MFI training in partnership with the training institutions in order to create a pool of local expertise in MF; (iii) support the institutionalization of the training material designed and used by MMF-MEDA, especially on the HIV/AIDS issue and other technical aspects of MF management ensuring that these packages will be integrated in an existing national institution; and (iv) support FSPs with expansion in rural areas by funding pilot based innovative products or methodologies.

The project addressed these issues by concentrating on three mutually reinforcing program outputs:

- Operationalization of a clear National Microfinance Strategy with a monitorable action plan;
- Building the capacity of different training providers to provide high-quality training in microfinance (management, credit analysis and product development);
- Producing innovative financial services to improve the accessibility of financial services to the poor, especially in the rural areas.

A number of specific targets and indicative activities was set for each of the three outputs. Five targets were set for the output 1, four for the output 2, and two for the output 3. The program was originally scheduled for the period 2007-2009. Subsequently, the partners agreed to extend the program to 2011.

### **1.2 PROJECT IMPLEMENTATION**

The project implementation was insured by the Government of Mozambique, through the Directorate for Rural Development (DNPDR), UNDCF and UNDP. The project structure comprises a Project Board, coordinated by the Ministry of Planning and Rural Development, an Investment Committee, comprising the major stakeholders of the sector, and the Country Resident Advisory. The project secretariat was endorsed by DNPDR.

The amounts raised for the project amount to U.S. \$ 2,580,000, and are as follows: UNCDF (1,150,000); a joint Program Funds (630,000) and UNDP (800,000).

Concerning MFIs financing, the project activities started in 2008. At the time of evaluation, BIFSMO was partnering with four MFIs: BOM, FDM, Progresso and Hluvuku. The amounts authorized for MFIs funding (grants and loans) during the period from January 2008 to July 2010 amounted to US \$ 793.668 and are allocated as follow: BOM (188.020), Progresso (US \$ 88.848), Hluvuku (US \$ 246.800) and FDM (US \$ 170.000). In July and October 2010 the Investment Committee approved funding for four new institutions: Tchuma, Socremo, CCOM and UGC.

### **1.3 KEY PROJECT RESULTS**

At mid-term, the project has partially achieved its objectives for outcomes 1 and 2 and is on track for the result 3.

A coordination mechanism was established at macro-level through the Reference Group (RG) of key donors on microfinance and the Steering Committee (Ministry of Finance, Central Bank, DNPDR, and AMOMIF). However, the National Microfinance Strategy (NS) has not been adjusted to integrate the recommendations indicated in the PRODOC; and there is no Actions Plan for the implementation of the NS that was planned for the first year of the implementation of the project.

The project supported capacities for MFIs through trainings. The beneficiaries consider that these trainings are has been useful for the enhancement of their general knowledge in the field of microfinance. However, a number of persons interviewed consider that the course would be more targeted to the practical needs of MFIs regarding, accounting, marketing, risk management, financial analysis.

At micro-level, the project is on track regarding outreach and the quality of portfolio of supported MFIs. The project supported the introduction of innovative products: mobile banking, micro-leasing, products for women and youth.

### **1.4 KEY EVALUATION FINDINGS AND LESSONS LEARNT**

#### **Finding on the Coordination Mechanism and the National Strategy.**

The coordination mechanism was considered as a fundamental part of the intervention. It was necessary that the strategy is updated and that action plan is in place to ensure consistency of project initiatives. To ensure effective coordination, this mechanism would serve as an entry point for all interventions in the field of microfinance. However, the coordination mechanism has not functioned effectively. The action plan of the strategy has not been established. The coordination of interventions in the microfinance sector is not yet effective. The project achieved the mission of dissemination of best practices through the organization of courses and the support of publication production on microfinance in Mozambique. Capacity of DNPDR was strengthened at macro-level in microfinance

## **Findings on Capacity building for MFIs.**

The project has enabled MFIs technicians access to trainings in microfinance. In 2007, fifteen participants representing the main MFIs in Mozambique have participated in training in microfinance and 4 technicians have been trained in the areas of finance and rural finance. In 2008, thirty-eight people representing operators in microfinance at the provincial level participated in a course aimed at empowering political analysts, professionals and managers about the business of microfinance and rural finance for the development of a sustainable microfinance sector. In 2009, thirty-nine participants from various institutions (Ministries, Banks, and MFIs) participated in a course in the district of Vilanculos. This course aimed at increasing understanding on best practices in microfinance, promote the establishment and systematic improvement of a solid legal and regulatory environment, developing approaches to critical issues in the area of rural finance and microfinance. In 2010, the project has supported the participation of two Microfinance Institutions (FDM and Hluvuku) in the ILO training- Boulder course (July- August). Training of trainers are on-going to strengthen AMOMIF.

## **Findings on Innovative Financial Products**

The innovations supported by the project include mobile banking, financial products for women, and products that specifically address the needs of agricultural producers like contract farming and micro-leasing.

The evaluation analyzed the innovative products, the outreach and the financial performance of the four MFIs financed by the project. The evaluation concludes that, at mid-term, the project is on track to achieve its goals for this outcome.

BOM has achieved great performance in terms of growth in the number of active clients far beyond the expected objectives. In 2009, the first year after the granting of the subsidy, BOM has registered 33.651, an increase of 7.568 (proposed target: 3.280 clients). The expected growth in 2010 is 5.812 new clients (proposed target at year two: 4.881 active clients). Portfolio quality is in line with international standards (<5%). In 2009, the PAR at 30 days achievements are of 3,97% in 2009 and 5% expected for 2010. Performance regarding the operational sustainability (OSS ratio) is also good. In 2008 and 2009, BOM has achieved an OSS ratio of, respectively, 102.86% and 107.00% above the minimum expected which was set at, respectively, 60% and 100%.

Performance analysis of FDM shows that this MFI has achieved its objectives for 2009 and is on a good path for 2010. The number of active clients in 2009 is 2300 (the target is 2000) and expectations for 2010 are set to 3481 (against a target of 2,600). FDM clientele is predominantly female FDM: 93% of customers in 2009, estimate of 80% in 2010. These results are in line with the targets (80% in 2009 and 2010). The quality of the portfolio in 2009 (PAR> 30 days) is 2.33%, well under international standard (< 5%). The forecast for 2010 is 5%. FDM is sustainable. However, its performance (OSS ratio of 109% in 2009) is below the targets fixed in the Loan Agreement

Hluvuku is also on a good progression in relation to targets. In 2009, the first year of funding, the number of active customers rose by almost 30% over the previous year. The quality of the portfolio in 2009 (PAR> 30 days) is 4.32%. The forecast for 2010 is 4,70%, in line with the international standard. HLUVUKU is sustainable. In 2009, its achievements are above the benchmark of the sector in Mozambique. A ratio of 115% against an average of 85% for the eight MFIs that report to MIX Market. Hluvuku also shows promising results in terms of profitability. According to the data reported to Mix Market, the return on assets (ROA) is 10.23% in 2008 and 7.64% in 2009 (against an average of -1.75% for the 8 MFI of the sample). The return on equity (ROE) was 15.12% in 2008 and 11.42% in 2009 (against an average of -3.63% for the sector).

PROGRESSO has had some difficulties in complying with the contract requirements in terms of reporting. After an initial payment of 44,924 in 2009, funding was stopped in October 2009. Progresso has subsequently received the support of UNCDF for the compliance with the agreement conditions. The payment of subsidies resumed only may 2010. This MFI has 555 customers in 2009, 34.95% are women. It plans to reach a total of 4,000 customers in 2010. Performance indicators are below the targets (and international standards): a ratio PAR> 30 days of 12.07% in 2009 (target: 8%) and a ratio of 11.30% OSS in 2009 (target 40%).

### **Lessons learned.**

At mid-term review, key lessons from this project are: (i) it is important to have a strategy and a global vision on the microfinance industry to ensure the effectiveness of policies in this area, (ii) the institutional framework should incorporate public bodies with links to the financial Sector, (iii) coordination between donors and projects in the microfinance sector is a sine qua non condition for enhancing the effectiveness of a project, (iv) the absorptive capacity of the market in terms of effective demand for financial services is an issue. It is important that the donors realistically assess the external constraints to the growth of the microfinance sector to ensure that additional credit would help rather than harm poor micro-entrepreneurs.

## 2. THE EVALUATION

### 2.1 PURPOSE OF THE MID-TERM EVALUATION

The overall aim of the mid-term evaluation is to (i) assess the performance and achievements of the Building Inclusive Financial Sector in Mozambique (BIFSMO) project at its mid-term implementation; and (ii) to assess the sector at macro, meso and micro level within the framework of building an inclusive financial sector in Mozambique in order to define the future strategic intervention of UNDP/UNCDF.

To achieve the overall objective, the evaluation team will take the following specific objectives: (i) evaluate the effectiveness, relevance, efficiency and sustainability of the program and the results achieved since the beginning of the implementation compared to the original plan; (ii) assess the impact of training in micro-finance from the recipients; (iii) assess the suitability of the new services / products Microfinance introduced and their relevance to the needs of the poor; (iv) assess the level of sector development at the macro, meso, and micro, in order to highlight the strengths and weaknesses and formulate concrete recommendations for the sustainability of achievements and providing guidelines for future interventions of the UNDP / UNCDF under the new draft of the UNDAF.

### 2.2 EVALUATION METHODOLOGY

The evaluation team was comprised of one international expert, Dr André Nsabimana. No local consultant has been appointed for this evaluation. The Terms of reference for the mid-term evaluation are found in Annex 1. The evaluation of the project began on September 23 with a briefing with UNDF and DNPDR. The evaluation expert spent 18 days in Maputo carrying out the field mission and presenting the results in workshop.

The methodology for the evaluation was based on the best practice evaluation planning and methodology. The expert collected information across multiple sources. The evaluation approach was focused on achievements at the level of the microfinance sector and did not realize an impact on final beneficiaries at the client and household level. The evaluation reviewed and analyzed all key documents related to the project and industry.

- Extensive Documents Review. The consultant analyzed the Project Document (PRODOC) to get a complete picture of the project. He reviewed a multitude of other documents: Country Programme Action Plan (CPAP), Annual Work Plan, Progress Reports of Project implementation, National Microfinance Strategy, Rural Finance Strategy, Action Plan for the Reduction of Absolute Poverty in Mozambique (PARPA); Framework of Assistance of the United Nations Development Assistance Framework (UNDAF); The book Azul (The Blue Book) UN-Building Inclusive Financial Sectors; Performance Contracts with Providers of Financial Services (PSFs) and other parties, numerous MFIs financial reports and audits, contracts signed with MFIs financed by the project, minutes from the Investment and Advisory Committee meetings, microfinance regulations developed by the Bank of Mozambique, recent studies of the financial sector. A complete list of reference documents reviewed is provided in Annex 2.

- On-site interviews with key project stakeholders in Mozambique including: UNDP, UNCDF, National Directorate for Promotion of Rural Development (DNPDR), reference projects (PAFR ), Ministry of Commerce and Industry, Ministry of Planning and Rural Development, Association of Mozambican Microfinance Institutions (AMOMIF), University of Mozambique, commercial banks lending or not to MFIs, Bank of Mozambique, Ministry of Finance, donors who are supporting microfinance, rural finance, or other projects with a microcredit component. For the complete list of people interviewed, please see Annex 3.
- Four MFIs (BOM, FDM, PROGRESS, HLUVUKU) supported by the project was visited and interviewed and qualitative and quantitative data were collected to compare with BIFSMO reports and to receive their assessment of the quality of the services they received from the project.
- Two workshops were organized; one held for the direct agency partners (UNDP, UNCDF, DNPDR) and the other for the all stakeholders.

### 3. COUNTRY CONTEXT

For the comprehensive understanding of the project performance, the consultant analyzed the critical external factors that may have affected the project performance and the beneficiaries activities.

#### 3.1 SOCIAL AND ECONOMIC INDICATORS

The socio-economic indicators show a significant change in the situation of Mozambique during the past ten years. In key sectors of the economy, growth was above the average in the other sub-Saharan Africa (SSA) countries.

Table 1: Growth in Key Sectors of the economy (%)

	1990-2000		2000-2008	
	Mozambique	SSA	Mozambique	SSA
Agriculture	5,2	3,2	7,8	3,2
Industry	12,3	2,0	10,1	5,1
Manufacturing	10,2	2,2	9,4	3,3
Services	5,0	2,5	7,2	5,3

Source: World Development Indicators (WDI) 2010.

According to statistics published in the World Development Indicators (2010), growth in the key sectors has risen sharply since 1995, compared to other African countries. While growth in industry and manufacturing was lower during the period 2000-2008, compared to the previous period, it remains well above the average for SSA countries.

The analysis of the structure of output in the GDP also shows some interesting developments: between 1995 and 2008, the share of agriculture in the GDP declined from 35% to 29%, while services declined from 51% to 47%. In contrast, the share of the industry sector increased from 15% in 1995 to 24% in 2008 and that of the manufacture sector rose from 8% in 1995 to 14% in 2008 (WDI, 2010).

The role of the financial system in financing the private sector has also increased although it remains insufficient. In 1995 the annual growth of the claims on private sector in % of money supply (M2) was at

21,8% and at 24,5% in 2008. Nevertheless, the good quality of indicators conceals a disturbing reality in the poverty level. The country's Human Development Index (HDI) still remains one of the lowest in the world, 172 out of 182 (HDR 2006). More than half of the population in Mozambique lives in absolute poverty. Income inequality has increased: the Gini coefficient has risen from 0.40 in 1997 to 0.47 in 2006. According to the Finscope Survey 2009<sup>1</sup>, a large majority (66,1%) of the adult population live in rural areas. One third (32,8%) of adults have not been exposed to any form of education or literacy class.

Mozambique still has a lot of socio-economic challenges ahead. These challenges play a crucial role in how business can be conducted profitably. In particular, they may constrain the efficient development of markets for goods and services.

### 3.2 INFRASTRUCTURE

Infrastructure in Mozambique is another challenge. Limited infrastructure, particularly the lack of adequate roads, electricity and communication systems, further limits market opportunities. It makes business difficult and expensive in particular for small economic operators in rural areas. It constitute a gap in the value chain that leads farmers and micro-entrepreneurs to sell locally at highly discounted prices. Market linkages are also further challenged by information gaps that limit the capacity of micro-entrepreneurs and traders to accurately assess the market and take advantage of opportunities.

### 3.3 FINANCIAL AND MICROFINANCE SECTORS: CHALLENGES AND OPPORTUNITIES

#### Structure and Development of the Financial System.

The Mozambican financial sector has experienced strong development over the last years. The major advances concern the increase in bank branches and the number of microfinance operators.

Table 2: Financial Sector Indicators in Mozambique

Type of institutions	2009	2008
Banks	14	14
Microbanks	3	1
Credit cooperatives	6	6
Leasing companies	1	1
Investment companies	1	1
Exchange bureau	20	22
Savings and loans institutions	9	4
Microcredit operators	95	72

Source: Banco de Moçambique, Annual Report, December 2009

According to the Bank of Mozambique Annual Report (2009), the number of banking institutions in operation in 2009 increased from 12 to 14 banks and simultaneously the system benefited from 3 new micro

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<sup>1</sup> FinScope Mozambique Survey 2009, Survey Report, August 2009.

banks, 9 saving and lending organizations. The total number of authorized and operating microcredit operators increased by 39 new units to a total of 96 institutions. The number of operating bank branches increased by 134 units (61.5 %) to 352 in the whole country out of 401 units authorized. The number of districts with bank branches increased by 23 (82 %) to 51, which represents a rate coverage of around 40 per cent. The total number of ATM's increased to 620 in 2009 against 382 in 2008, respectively (Bank of Mozambique, December 2009).

As is typical of many sub-Saharan countries, the Mozambican banking sector is characterized by a lack of competition, high liquidity, low levels of credit to small businesses, a concentration on market leaders, and high commission fees. Despite the recent expansion in number and size of intermediaries, bank intermediation levels remain low. As of 2007, private sector credit to GDP stood at 12.8%, below the Sub-Saharan Africa average ( 16.6%) (FSAP, 2009).

In terms of concentration, traditional banks continue to service 96 percent of credit volume and 69 percent of credit accounts. As for December 2008, the market share of banks is even higher for deposit accounts, with 98 percent of deposit volume and 84 percent of deposit accounts. The large banks (BIM, BCI and Standard Bank) hold 63 percent of credit accounts, and 53 percent of deposit accounts, with BIM by far the largest holder of both types of accounts (FSAP, 2009).

Deposit mobilization is high in Mozambique. In 2007, the deposit rate to GDP was 25%, just above the rate in middle-income countries in sub Saharan Africa (23,4%)<sup>2</sup>. As in many countries in Africa, deposits represent the major source of bank financing. In Mozambique deposit represent 70% of total assets. However, transformation of deposits into real sector credit is relatively low. In 2007, the loan to deposit ratio was merely 52 percent in 2007, although it grew from a low base of 39 percent in 2003. In addition, credit remains concentrated to relatively few sectors—predominantly large, export-oriented corporate (FSAP, 2009). Furthermore, a large proportion of the banking assets consists of liquidity assets, short-term loans to other financial institutions, including parent banks, and government securities. The asset structure also varies with the size of banks. Medium-sized banks have relatively more liquid assets and invest more in government securities (in average 32,4% of government securities during the period 2003-2007). Large banks invest relatively more in (short-term) loans to other financial institutions.

### **Microfinance Sector Development.**

Over the last five years the microfinance sector in Mozambique has experienced significant growth. Indeed, from 2005 to 2009 the number of credits granted increased by 70% and the number of depositors increased by 395%. The table below shows the number of active borrowers and depositors in MFIs referring to AMOM since 2005. In 2009, data are from nine most representative MFIs: Banco Crédito, Socremo, Tchuma, Banco de Oportunidade (BOM), Caixa Comunitária de Microfinanças (CCOM),Fundo de Desenvolvimento da Mulher (FDM), Rede de Caixas rurais de Nampula (IRAM), HLUVUKU-ADSEMA (MALE YERU), África Works.

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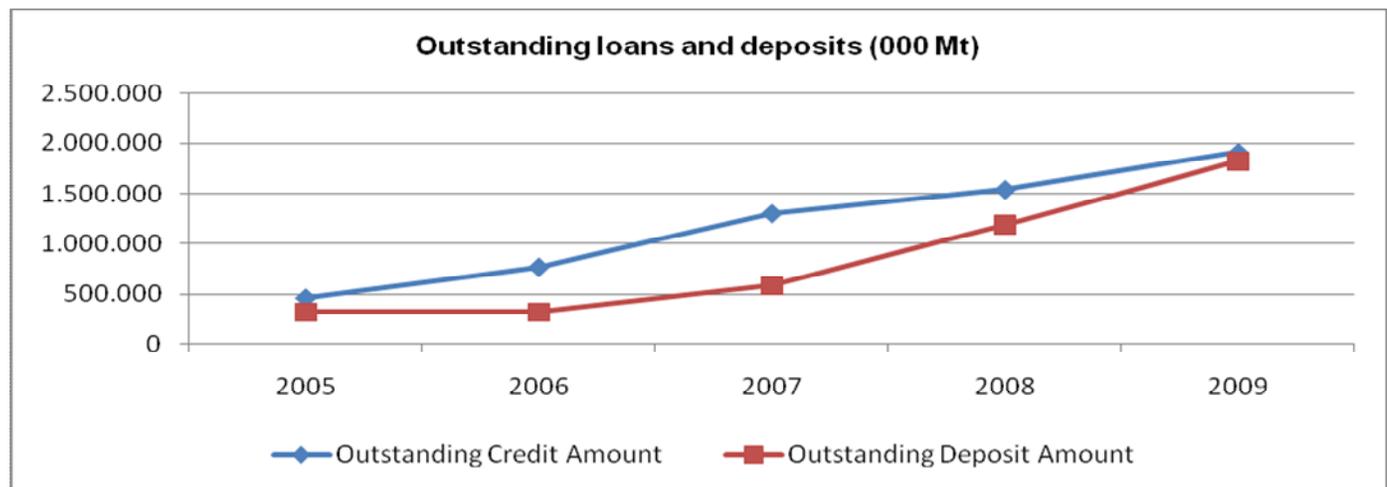
<sup>2</sup> IMF Working Paper, January 2009.

Table 3: Active borrowers and depositors

	2005	2006	2007	2008	2009
N. of MFIs	8	9	11	10	9
N. Active borrowers	56.688	66.696	97.725	83.987	95.800
N. Active depositors	53.421	88.668	146.709	215.112	264.840

Source: AMOMIF

This dynamism is even more important in terms of amount. Indeed, the growth in loans and deposits was 315% to 470%, respectively.



The microfinance sector is highly concentrated in Mozambique. Indeed, in 2009, nearly 90% of the credit portfolio was managed by the 4 big MFIs: Banco ProCredit, Socremo, Tchuma, and Banco de Oportunidades. The concentration level was not weakened, it was of 86% in 2005. The concentration level did not weaken over the last 5 years: in 2005 the concentration ratio was about 86%.

The evolution of the microfinance sector is also characterized by:

- a degradation of the level of risk. Indeed, the portfolio at risk (> 30 days) was 1.65% in 2005 and rose to 5.75% in 2009 on average for all MFIs which reported data to AMOMIF.
- an increase in the average amount of credit granted. In 2005 the average credit was 8.105 Mt and it increased to 19.906 Mt at the end of 2009, an increase of almost 150%.

### Microfinance National Strategy (NS).

The Mozambican government attaches great importance to the microfinance sector for many years. In 1998, The Government Initiated a program to support the microfinance activities through the creation of the

Microfinance Program. Through this program, the government wanted to encourage capacity building in terms of supply and demand of microfinance services. The Microfinance National Strategy (MNS) is a continuation of that goal and has the following objectives:

- To encourage the development of a viable and sustainable sector which, in combination with other measures, contributes to the reduction of poverty;
- To make financial services available to low income groups;
- To use microfinance as a means for income generation, thereby contributing to solving the socioeconomic problems of the target group such as health, nutrition and education;
- To present microfinance as a business opportunity for investors.

The NS has been developed to serve as instruments that guides all the related programs of microfinance, in order to make them more effective in the increase of the income of the economically active poor population.

The tasks referred to throughout this strategy include:

- to strengthen and legalize the role of coordination and to promote the implantation of a sustainable industry with the goal of coordinating the Government entities activities, NGOs, partners of international cooperation and other institutions promoting and supporting the Microfinance activity, including rural finance,
- to promote the development of viable and sustainable microfinance institutions, encourage good practice and good governance in the microfinance sector,
- to encourage mobilization of local resources and to develop an action plan aimed at stimulating the supply of financial services in rural areas,
- encourage regular and systematic monitoring of the implementation of the reform of the microfinance sector and the assessment of the impact of microfinance activities.

The NS considers the following challenges for the microfinance sector:

- the necessity to continuously implement the legal framework (financial, banking, labor and legal) and adapt it to the real country situation, without harming the professional nature of the activity;
- The microfinance activity in the rural areas has the particular need to create, in a reasonable period of time in the initial phase of investment, credit banks, to train the staff and install the accounting and control system;
- the necessity to establish and create incentives to minimize the risks and to motivate the expansion of the IMFs and Commercial banks to the rural areas.
- the enhancement of the access to information and communication technologies.

### **BIFSMO within the Inclusive Finance Framework**

BIFSMO is a joint program with the United Nations Capital Development Fund (UNCDF) with an initial total budget of 3.142.379 US\$. The initial project budget covers four main activities: policy and advocacy

(US \$ 394.728), support infrastructure (US \$355.691), retail capacity (2.068.037), others, sector survey and evaluation (US \$260.000), support costs (US \$ 63.923). The final budget is shared as follow: UNCDF (US \$ 1,150,000); UN Joint Program Funds (US \$ 630,000); UNDP RR (US \$ 800,000).

The overall project objective is defined in the Programme Document Support (PDS), as follows: *to facilitate and invest in a participatory and nationally owned process to improve, adopt and implement a National Microfinance Strategy (or national strategy for financial inclusion NSFI) that enhances sustainable access to financial services for the vast majority of the population.* The project focuses on four key gaps identified as being the most significant for the development of an efficient microfinance sector:

- establish an effectively functioning coordination mechanism (national committee - board de coordenacao) in the sector that can be the vehicle for policy debate, development and implementation of the action plan of the NS.
- facilitate access to specialized MF training in partnership with the Banking Training Institute (IFB- Instituto de Formacao Bancaria), GAPI, MEDA and Universities (curricula and support to MF Human Resources) in order to create a pool of local expertise in MF
- support the institutionalization of the training material designed and used by MMF-MEDA, especially on the HIV/AIDS issue and other technical aspects of MF management ensuring that these packages will be integrated in an existing national institution.
- supporting FSPs with expansion in rural areas by funding pilot based innovative products or methodologies.

The project was initially designed for 3 years (2007-2009), but was recently extended until 2011 as part of the United Nation Development Assistance Framework (UNDAF) and Country Program extension.

The main outcomes of the program have been set as follows:

- A monitorable implementation plan for the National Strategy for Micro - finance adopted, being implemented through appropriate coordination mechanism (12.5% of the budget)
- Microfinance Service Providers' training capacities developed and training opportunities effectively promoted (11,3% of the budget).
- Innovative financial products and approaches (mainly for rural areas) supported (65.8% of the budget).
- Project management, support, monitoring and evaluation ensured (10,4%).

## **Finance Access in Mozambique**

In recent years, Mozambique is undertaking policies aimed at reviving the economy. Among those policies, support the financial sector occupies an important place. According to the FinScope 2009 study:

- 11.8% of the adult population has access to financial services
- 77.8% of the population is excluded from any type of financial services, including informal services. This exclusion rate is the highest in southern Africa.

- Of the population with access to financial services, more than three quarters live in urban areas.

In 2005, the Government of Mozambique has taken measures and initiatives to promote access to finance, in particular for rural populations. Two major programs are presented below.

### ***Financial Sector Technical Assistance Program (FSTAP),***

FSTAP is led by the World Bank under the auspices of the Ministry of Finance. The program is cofunded by the African Development Fund (ADF), German Technical Cooperation and the German Fund for Reconstruction, the Swedish International Development Agency, and Britain's Department for International Development. FSTAP is a \$28.5 million program designed to improve the soundness of the financial system, improve debt management, and increase financial intermediation.

The World Bank is responsible for four program components: enhancing the capacity of the central bank for banking supervision and provision of financial infrastructure; improving financial accountability and transparency; strengthening public debt management; and improving efficiency and depth in the money market and the government bond market.

The other FSTAP components are: strengthening micro and rural finance, management by the German Technical Cooperation and the German Fund for Reconstruction (GTZ/KfW); strengthening the regulatory and supervisory regime for the insurance industry; modernizing the social security system; improving the legal and judicial environment for lending, with a focus on bankruptcy law and property registries ; and strengthening capacity for investigating financial crimes; managed by the African Development Fund (ADF) (USAID, 2007).

### ***Rural Finance Support Program (RFSP).***

RFSP is led by the International Fund for Agricultural Development (IFAD) under the auspices of the Ministry of Planning and Development. RFSP is a \$34 million program, cofunded by the African Development Bank (ADB), and operates through the government's Economic Development Support Fund (FARE). The objective of the program is to reduce poverty, improve rural livelihoods, and enhance the viability of rural enterprises by supporting the development of sustainable access to financial services in rural areas. The major program components include support for institutional, policy, and legal reforms to strengthen the environment for sustainable rural finance, financial and technical support for innovation and outreach by rural finance institutions, and support for community-based rural financial institutions.

### ***The Local Initiative Investment Budget (OIIL)***

In 2006, the Government of Mozambique set up the Local Initiative Investment Budget or *Orçamento de Investimento de Iniciativa Local* (OIIL) to stimulate the economy through establishing income, employment and food projects in order to improve food security and diversify agricultural projects. Under the OIIL program, each of the 128 districts has, since 2006, been allocated at least Mt 7 million (\$250,000 US dollars) for projects to improve food security and create jobs. The program supports the following areas: agriculture, livestock, agro-processing, fisheries, industry, and commerce. The program offers loans to individual and associations whose size varies by sector. Individual loans range from Mt 20,000 (livestock) to Mt 500,000

(fishing), and loans associations ranging from 50,000 Mt to Mt 600,000. Interest rates vary between 3% and 7% and repayment periods are between 1 and 5 years. The repayment rate is estimated at 5%.

In addition to these programmes, the Government of Mozambique has introduced financial and tax incentives for banks and other financial institutions to offer services in rural areas.

### **3.4 PROGRAM HYPOTHESIS, OBJECTIVES AND TARGETS.**

The lack of access to financial services has often been identified as the major impediment for the economic development in Mozambique, mainly in rural areas. When the project was prepared in 2007, the analysis of the financial sector indicated that microfinance sector was a fairly new activity in Mozambique, starting its development in 1989. Although the rapid growth, the sector was characterized by a high level of concentration, one operator controlling one third of the total active portfolio, limited geographical coverage with more than half of customers located in Maputo-Motola axis, high transaction costs due to the transportation and communication issues and human resources problems.

The Project document (Prodoc) pointed out the major constraints that negatively impact the development of the sector and conclude the necessity to develop “a modern financial system that is comprehensive in social and geographical terms, that helps increase the monetization of the nation’s economy and that meets the needs of its growth by financing the activities of the productive sectors”. To meet this general mission, the prodoc stated that “the project will enhance access to financial services to the vast majority of the population, mainly in rural areas. Thus, the program will directly contribute to the achievement of the MDGs, in particular the goal of cutting poverty by half in 2015. The access to financial services will strengthen the local economy development by supporting the rural markets and activities”.

The project was intended to address the four key gaps identified as being the most significant for the development of an efficient microfinance sector: (i) establish an effectively functioning coordination mechanism (national committee - board de coordenacao) in the sector that can be the vehicle for policy debate, development and implementation of the action plan of the National Strategy; (ii) facilitate access to specialized microfinance training in partnership with the Banking Training Institute (IFB- Instituto de Formacao Bancaria), GAPI, MEDA and Universities (curricula and support to MFI Human Resources) in order to create a pool of local expertise in microfinance; (iii) support the institutionalization of the training material designed and used by MMF-MEDA, especially on the HIV/AIDS issue and other technical aspects of MFI management ensuring that these packages will be integrated in an existing national institution; (iv) supporting FSPs with expansion in rural areas by funding pilot based innovative products or methodologies.

The programme includes the following three components:

- Operationalization of a clear National Microfinance Strategy with a monitorable action plan;
- Building the capacity of different training providers to provide high-quality training in microfinance (management, credit analysis and product development);
- Producing innovative financial services to improve the accessibility of financial services to the poor, especially in the rural areas.

A number of specific targets and indicative activities was set for each of the three outputs. Five targets were set for the output 1, four for the output 2, and two for the output 3. Some of the targets outlined in the Prodoc

were revised and new activities were added without the amendment of the Prodoc. Details of the targets, indicators and activities are provided in Annex 4.

#### 4. PROGRAMME STATUS.

The program was originally scheduled for the period 2007-2009. Subsequently, the partners agreed to extend the program to 2011. The initial budget was estimated at U.S. \$ 3,142,379. The following table shows the budget breakdown by year and by activity.

Table 4: Budget Breakdown

	2007	2008	2009	Total
Activity 1 Support to the action plan	140.500	131.400	122828	394.728
Activity 2 Support to the training activities	158.000	68.560	129.131	355.691
Activity 3 Innovation and outreach facility	0	500.000	500.000	1.000.000
Activity 4 Survey and Evaluation	200000	0	60.000	260.000
Support costs	63.923	0	0	63.923
<b>TOTAL</b>	<b>843.923</b>	<b>1.182.800</b>	<b>1.115.656</b>	<b>3.142.379</b>

Sources: PRODOC

The amounts raised for the project amount to U.S. \$ 2,580,000, and are as follows: UNCDF (1,150,000); a joint Program Funds (630,000) and UNDP (800,000).

Concerning MFIs financing, the project activities started in 2008. The calculations concerning the financial situation of the project were made from quarterly reports and synthetic data provided by project. From these data, the amounts authorized for MFIs funding (grants and loans) during the period from January 2008 to July 2010 amounted to US \$ 793.668 and are allocated as follow: BOM (188.020), Progresso (US \$ 88.848), Hluvuku (US \$ 246.800) and FDM (US \$ 170.000). The table below provide details of yearly expenses.

Table 5: MFIs funding and Project expenses.

	Project AWP			LOANS			GRANTS		
	Approved	Expenses	%	Approved	Disbursed	%	Approved	Disbursed	%
2007	116.218,00	113.597,75	97,75%	0,00	0,00	0,00%	0,00	0,00	0,00%
2008	156.267,00	145.247,86	92,95%	0,00	0,00	0,00%	276.868,00	232.944,00	84,14%
2009	275.216,27	221.477,58	80,47%	200.000,00	100.000,00	50,00%	96.800,00	61.800,00	63,84%
2010	259.500,00	259.500,00	100,00%	0,00	50.000,00	0,00%	220.000,00	255.000,00	115,91%
TOT	807.201,27	739.823,19	91,65%	200.000,00	150.000,00	75,00%	593.668,00	549.744,00	92,60%

Total amount approved	1.600.869,27
Total amount disbursed	1.439.567,19

Donors commitments	2.580.000
Balance	1.140.432,81

The total amount approved during the period amounted to US \$ 1.600.869,27 and the amount spent as for July 2010 is estimated at US \$ 1.439.567,19 or 79% of the donors commitments (US \$ 2,580,000).

Figures were also provided concerning provisions for grants autorisation and disbursement for 2010. The total provision for payment in 2010 is estimated at US \$ 1.228.000. These amounts were approved by the Investment Committee in July and October 2010 as follows: Tchuma (US \$ 300.000), Socremo (US \$200.000), CCOM (US \$150.000), UGC (US \$100.000) and disbursement for project activities (US \$ 223.000).

## **5. EVALUATION FINDINGS.**

### **5.1 PROGRAM STRUCTURE.**

According to the Prodoc, the organizational arrangements of the project are based on the following structure:

The Project Board (PB) coordinated by the Ministry of Planning and Rural Development and composed with the representatives of UNDP, UNCDF, the Bank of Mozambique, the Ministry of Finance, and representatives of Financial Service Providers. The Board was expected to be the responsible for monitoring and directing the implementation of the project. The day-to-day management and decision-making of the project (with the exception of decisions on the proposals that were under the responsibility of the investment committee) was under the responsibility of the Project Manager (PM). A Project Assurance (PA) has been designated for monitoring the project outputs, provide ad-hoc assistance, liaise with the Project Manager including attending all meetings of the Project Board. This role was expected to be held by the UNDP Program Officer with technical support from UNCDF.

An Investment Committee (IC) that comprised the Banco do Mozambique; the MFI representatives; the representative of the Ministry of Planning and Rural Development; a representative of UNDP; a representative of UNCDF was to be established. The IC members were expected to be comprised with other investors in the sector who have knowledge about and / or are potential investors in the financial inclusion sector. Those investing at least \$ 0.5 million could have voting rights. The IC was also expected to be a forum for donors and investors to get to better know each other's programs and operating principles. The IC missions are to: design a common framework for the donors to use for; assessing the Investment; reporting; joint review of the implementation of the funded projects; review the performance – based agreements to be signed with the FSPs; receive, analyze and decide on the investment proposals (technical support and micro – capital grants); propose to UNDP and UNCDF to make payments to the participating organizations as required; monitor achievements of participating financial intermediaries (MFIs and Banks) against their performance – based agreements; review progress in the enabling environment for microfinance and make recommendations; carry out, in relationship with UNCDF and other partners, technical reviews to assess the performance of the participating organizations; and identify policy issues that are constraints to MFI development, and provide recommendations.

The Country Resident Advisory (CRA) was expected to act as the secretariat of the IC, by carrying out required due diligence, analyzing the proposals and presenting them before the IC. Upon approval of the proposals, the CRA was expected to draft the performance – based agreements that was to be signed with the supported institutions.

The project secretariat was endorsed by the Direção Nacional de Promoção do Desenvolvimento Rural (DNPDR) initially established within the Ministry of Planning and Development (MPD) and recently integrated within the Ministry of State Administration.

## **5.2 PROGRAM IMPLEMENTATION.**

The project Building an Inclusive Financial Sector in Mozambique (BIFSMO) was signed between the Government of Mozambique, the UNDP and the UNCDF in January 2007. The implementation of the programmed actions started in August 2<sup>nd</sup> of 2007. The project was designed initially for three years, ending in December 2009. However, the donors agreed to extend the project until December 2011 as part of the UNDAF and Country Programme extension. As of October 2010 the project was managing a total budget of US\$ 2.580.000.

At the time of evaluation, BIFSMO was partnering with four MFIs: BOM, FDM, Progesso and Hluvuku. In July and October 2010 the Investment Committee approved funding for four new institutions: Tchuma, Socremo, CCOM and UGC.

### **Relevance of the inclusive finance program.**

The relevance aims to evaluate the appropriateness of the project objectives to the problems that it was supposed to address, and to the physical and policy environment within which it operated. It include an assessment of the quality of project preparation and design and the internal logic and coherence of the project design.

### **Evolution of the project priorities.**

BIFSMO project has been designed on the basis of the diagnosis of the sector and the Microfinance National Strategy. Its main objective is to support the implementation of this national strategy. It comes in 4 key outcomes (comprising 15 activities), according to Project Document (PRODOC). The program has undergone changes in 2007 and 2008, which are reflected in the Annual Action Plans, and not through an amendment to the original program document.

The AAP 2007 identifies three outcomes broken down into 21 activities:

1. A monitorable implementation plan for the Microfinance National Strategy implemented and monitored through an appropriate mechanism for co-ordination (Board).
2. Capacity for courses in microfinance created for training institutes and training opportunities effectively promoted.
3. Financial products and innovative methods (mainly for rural areas) supported.

The AAP 2008 identifies three outcomes broken down into 18 activities:

1. A monitorable implementation plan for the National Strategy for microfinance elaborated and the reference group operational (4 meetings per year).
2. A Microfinance management course internationally recognized implemented in Mozambique, MFIs have better access to courses in general and at least three MFI has policies on HIV AIDS in the workplace.
3. At least two financial products and / or innovative methods (mainly for rural areas) supported.

The AAP 2009 identifies three outcomes broken down into 18 activities:

1. A monitorable implementation plan for the Microfinance National Strategy implemented and monitored through an appropriate mechanism for co-ordination (Board).
2. Capacity for courses in microfinance created for training institutes and training opportunities effectively promoted.
3. Financial products and innovative methods (mainly for rural areas) supported.

The AAP 2010 identifies three outcomes broken down into 18 activities:

1. A monitorable plan of implementation of the Microfinance National Strategy adopted and appropriated coordination mechanism established.
2. Capabilities to provide trainings to MFI opportunities and effective IFF developed to train providers MF promoted.
3. MFI capabilities to provide training developed and effective opportunities for training MF providers promoted..

Activities and results are relevant, there is a clear link with the main objective of the project. The indicators are clear, simple, and verifiable.

### **Relevance of the Program Strategy.**

For several years, microfinance in Mozambique is an issue in the cooperation frameworks between the Mozambican Government and UNDP. In the framework of the CCF II (2002-2006), UNDP supported several projects in microfinance, including the provision of institutional support to a number of microfinance service providers, the currying out of capacity-building for policy-makers on good practices in the area, the financing of a major review of microfinance sector in Mozambique and the preparation of a national microfinance strategy.

The BIFSMO project's strategy is relevant because it is a continuation of this experience and lessons learned through the CCF II concerning the needs for demand and supply of microfinance in the country, the institutional constraints of the development of microfinance and the issues of the provision of adequate microfinance services in rural communities.

The project strategy is based on identified needs and constraints and gaps analysis. According to the PRODOC, the financial inclusion key constraints are: (i) low coverage of the country: 100.000 families have access to financial services (1,12% of the active population); (ii) high transaction costs (transportation, security and communication) and human resource problems; limited innovative products, very low diversification; (iii) National strategy with a clear understanding of the concept of financial inclusion; (iv) the legal and regulatory framework with an effective prudent supervision; limited capacity of local supporting firms: market research, product design, business planning, accounting, MIS, TIC... The project is a good response to these constraints of the sector. It establishes a link between constraints, needs and outputs of the designed project.

### **Relevance of the Inclusive Financial Sector Approach.**

The inclusive approach is also relevant. Indeed, as this has been identified in the PRODOC, the major problem is access to financial services at a reasonable cost, for the vast majority of the population, especially in rural areas. To achieve this goal it is necessary that (i) the MFI can provide a wide range of services, given the diverse needs of the population (credit services, savings, insurance, ...); (iii) that MFIs are viable and sustainable in order to provide these services on a sustainable basis, (iv) an offer extended in terms of products and providers of financial services can be implemented.

The project is consistent with the priorities at micro, meso and macro levels. At micro level, the project takes into consideration the needs of the MFI in terms of capacity building. It includes training for MFIs and incentives for innovation and professionalization to promote sustainable access to financial services. At meso level, the project contribute to capacity building and develop the financial infrastructure in order to support

the sustainability of inclusive financial services. At macro level, the project support the coordination and the regulatory framework of the sector, with a view to promoting financial inclusion in Mozambique.

### **Relevance and Adequacy of the Institutional Framework.**

At the institutional level, the location of the project within the DNPDR could make sense insofar as this department is responsible for coordinating the project FARE that also supports micro-businesses in rural area. However, this institutional framework seems inadequate regarding the missions and activities assigned to the project. The project core activities mainly promoting and supporting an inclusive financial sector. This purpose calls for institutional arrangement which takes into account the global view of the sector and understanding of the financial services industry: MFIs, banking sector and insurance companies, other financial services providers. The Ministry of Finance and the Bank of Mozambique are the most suitable institutional environment for financial services providers. The ministry of Finance is involved in financial management and monitoring in the financial sector, taxation policy, regulation and supervision of the insurance sector,...The Bank of Mozambique is responsible for, inter alia, the regulation and supervision of financial institutions, including MFI.

### **b. Findings on Program Implementation.**

The program took a long time before the cruise. While the project began in April 2007, the first funds were made in 2008 and the first loans in 2009 .

The lack of a national strategy has also contributed to delaying the start. Funding of capacity building through training is sound. Unfortunately, the trainings have not been followed a coherent approach based on the needs of MFIs. They remained very open in terms of content and participants.

The funding strategy should be amended to strengthen the training sector and the non-financial services providers at the meso level. In this context, it is mandatory to conduct a large-scale study on training needs, encourage and support the establishment of training structures in Mozambique, involve micro-entrepreneurs as training beneficiaries, support the provision of training through AMOMIF.

The decision to finance a range of types and sizes of institutions is sound; it should enable the project to come closer to achieving expected results than it would have if it only financed the relatively weak MFIs in existence at project inception.

DNPDR as the management unit of the project has faced many difficulties: the delay in the recruitment of a CRA, the change of CEO at the time the project began to mark it, and the death of coordination. DNPDR has also little experience in supporting financial systems implementation.

## **6. PROGRAMME RESULTS.**

The overall strategy of the project is to facilitate and invest in a participatory and nationally-owned process that will broaden, deepen, and improve access to diverse financial services through professional microfinance institutions. BIFSMO program is expected to contribute to this goal by making it possible to create instruments that facilitate the building of inclusive financial systems, with microfinance as the primary tool integrated into the Mozambican financial system.

This goal is achieved by: (i) providing support at the macro-level through DNPDR to adopt and implement a National Strategy for Financial Inclusion that enhances the sustainable access to financial services by the majority of the population; (ii) reinforcing the meso-level by strengthening the technical infrastructure supporting financial service providers; (iii) providing support at the micro-level to services providers to provide a full range of financial services at a reasonable cost to households and small and medium enterprises.

BIFSMO also provides investment funds at the micro-level to service providers as a grant and/or loan, which depends on the result of a technical assessment. The fund is managed through an investment committee that supports innovative pilot initiatives. At the same time the project was expected to attract other donors in the sector to create synergies and complementary support to the microfinance sector.

### **6.1 PROJECT RESULTS ON THE NATIONAL STRATEGY IMPLEMENTATION PLAN.**

According to the Prodoc, the overall strategy of the project is to “facilitate and invest in a participatory and nationally owned process to improve, adopt and implement a National Microfinance Strategy (or national strategy for financial inclusion NSFI) that enhances sustainable access to financial services for the vast majority of the population”.

The expected result is formulated as follows: “a monitorable implementation plan for the National Strategy for Micro - finance adopted, being implemented through appropriate coordination mechanism”.

In order to achieve this output, two deliverables were planned:

- The establishment of an appropriate coordination mechanism for the sector during the first year of implementation. The Prodoc states that the first task of the coordination mechanism would be to update the National Microfinance Strategy (NS), including formulation of an implementation plan, its endorsement and its continuous monitoring.
- The monitorable implementation plan for the strategy and corresponding timely monitoring reports on its implementation.

The project document states that “this coordination mechanism will be the foundation for the whole intervention; therefore major emphasis will be given to this deliverable during the first year of implementation”. The coordination mechanism was expected to become an important tool for further dialogue on legal framework and other issue/campaigns related to the development of the sector.

## **Findings and Observations**

The development and implementation of the NS is part of the Actions Activity Plan of 2007 “Development of the draft MF Strategy implementation plan”. It appears in the result 1.5 “Development of an action plan and operationalization of the strategy for 2009 – 2014”.

The assessment of the project activities and achievements in relation to targets allows the following observations:

### **Institutional Support to DNPDR in the field of microfinance.**

The DNPDR's support is provided in the Action Plans in 2007, 2008 and 2009 through two activities for institutional support activities in the field of microfinance: (i) recruitment of a CRA (for NDPDR but also for the Reference Group ), and (ii) recruitment of administrative and financial officer. The action plan in 2010 added a third activity regarding the participation of DNPDR in the ILO training Boulder.

### **Coordination Mechanism and NS Implementation Plan**

A coordination mechanism was established at macro-level through the Reference Group (RG) of key donors on microfinance and the Steering Committee (Ministry of Finance, Central Bank, DNPDR, and AMOMIF). The main focus of the RG was to follow up the development of programs and projects of the financial system and to advise on the creation of mechanism for the development of microfinance and rural finance in the country.

The RG has held several meetings during the period 2007-2009 on diverse issues such as: (i) ensuring the involvement of different actors in microfinance and rural finance and the response to the challenge of extending financial services in rural areas; (ii) mapping of the financial providers of the *MFs* and rural finances and establishment of coordination mechanisms; (iii) launching of the National Saving Campaign; (iv) implementation of the National Rural Finance Strategy; and (iv) appreciation of projects and initiatives of various stakeholders. The policy issues covered in the framework of these meetings are relevant.

However, the evaluation finds that:

- the National Microfinance Strategy (NS) has not been adjusted to integrate the recommendations indicated in the PRODOC and the contributions from the Group of International Partners to Microfinance;
- there is no Actions Plan for the implementation of the NS planned for late 2009 in the result 1.5. No budget has been prepared for the Action Plan.

- in 2009 a new Rural Finance Strategy was initiated. As stated in the document strategy “the core objective of the Rural Finance Strategy (RFS) is to promote the creation and consolidation of an inclusive financial system in rural areas that can support and leverage the economic and social development, both at the level of businesses and of private persons”.
- the evaluation states that the Rural Finance Strategy is relevant for the development of microfinance in rural areas but is not an instrument of inclusive finance in the direction envisaged in the PRODOC. The aim of the NS stated initially as follow: (i) to encourage the development of a viable and sustainable sector that, combined with other measures, contributes for the reduction of absolute poverty; (ii) to make financial services available to the low income population; (iii) to use microfinance as an element of income generation, contributing, in this way, to solve socio-economic problems of the target group such as health, food and education; (iv) to present microfinance as a business opportunity for investors.

Box 1: Specific objectives of the RFS

- Create rural financial markets that meet the needs of the economic and social initiatives in rural areas;
- Promote the creation of sustainable financial institutions in rural areas, which provide the required services (savings, credit, insurance and transfers);
- Create or support alternative or complementary financial mechanisms and non-financial mechanisms (Network of Cooperatives or mutual credit system, Value Chains financing);
- Expand the coverage and the inclusion of the rural financial system through tools for improving the quality / capacity of demand, and increase the impact – welfare in the customers’ lives in rural areas (Business Development Services).

The coordination mechanism was considered as a fundamental part of the intervention. It was necessary that the strategy is updated and that action plan is in place to ensure consistency of project initiatives. To ensure effective coordination, this mechanism would serve as an entry point for all interventions in the field of microfinance. However, as shown by the Minutes of the meetings of the GR, the discussions have often been general on Microfinance in Mozambique (meeting of July 2, 2009).

- The GR has functioned as a reference body, a meeting place between the different partners, and not as coordinating body.
- The GR did not have an authority with a decision power, in particular as regards the necessary coordination between donors and operators in the microfinance sector.
- The experiences observed in other countries show that the establishment of a national strategy is more effective when driven through an appropriate institutional framework. This institutional framework should ensure coherence and coordination with other public bodies and components of the financial sector (banking, insurance sector, supervisory agency, non-financial services providers, ...). The Central Bank and the Ministry of Finance are the only institutions that can assume this role.
- There was a missing link in the institutional framework. There is a necessity of a coordination body to insure the coordination of the Government’s general policy on microfinance, the monitoring of the activities and operations of stakeholders and the consistency and compliance of projects and programs according to the strategy.

## **Data collection and processing**

It was expected that the project would support the establishment of a database on microfinance. This activity was not achieved so far. The project had planned an activity “Technical assistance in specific areas (Data Collection and Processing With The BoM)” in the AAP 2010. It was decided that this activity would be conducted by the DNPDR.

## **Dissemination of Best Practices.**

Regarding, the dissemination of best practices, the project has taken some initiatives:

- A short course was carried out, in the Faculty of Economy of Eduardo Mondlane University, in September of 2007. 38 officials from different public and private bodies and institutions, Ministries, Central Bank, commercial sector, microfinance operators, among others, participated and discussed many issues of this area, taught by senior technicians specialists in the subject, highlighting, among others, the issues related to: Microfinance and rural finance; Financial liberalization; Credit Methodology; Institutional sustainability; Banking regulation and Supervision; Microfinance and Academic Approach.
- The target for the publication of articles and dissemination of best practices was partially met. 2 articles and 1 pamphlet on Microfinance in Mozambique were published in collaboration with UEM.
- In 2009, the DNPDR in coordination with ESUDR/UEM financed five students in writing their dissertation papers in micro-finance and rural finances.

## **6.2 PROJECT RESULTS ON CAPACITY-BUILDING FOR MSPS**

The ambition of the project was to build capacity for national structures to provide training services and to create a critical mass that has a basic knowledge of Microfinance. The main aim was to create a pool of local expertise in microfinance. According to the Prodoc, *at the end of the project at least 2 national training institutions will be providing different training packages for Microfinance institutions in a sustainable manner*”. The project was also expected to ensure inclusion of microfinance in the curriculum of economic degree in at least two universities and to offer scholarships to students as incentives to investigate on microfinance issues and elaborate their thesis on different Microfinance related subjects.

The project was expected to achieve the following results:

- by the end of 2007, 1 training package implemented, 10 trainers trained, 50 people trained, 25 people monitored, 5 undergraduate thesis in microfinance funded, 3 MFI has introduced micro-insurance, 4 MFI has established partnerships with a local organization for HIV / AIDS, 40,000 customers has access to products and services designed specifically in the context of HIV / AIDS.
- by the end of 2008, 7 trainers get the ILO License to take the course, 2 sessions of the course make microfinance work organized.
- By the end of 2008, 2 training institutions provide training services in the area of MF, 10 MFI participate in courses supported with satisfaction (50 people trained - 25 persons monitored) 3 MFI

has introduced micro-insurance products (Eg. credit insurance, funeral assistance, social / fund for emergency); 4 MFI has established partnerships with a local organization for HIV / AIDS.

- By the end of 2009, 2 training institutions provide training services in the area of MF, 10 MFI participate in courses supported with satisfaction (50 people trained - 25 persons monitored) 3 MFI has introduced micro-insurance (Eg. credit insurance, funeral assistance, social / fund for emergency); 4 MFI has established partnerships with a local organization for HIV / AIDS.
- By the end of 2010, 10 trainers operational, 2 MFI trained in rural finance; 3 MFI has introduced micro-insurance products.

The key indicators for the measurement of these results are:

- the number of FSPs taking part to these trainings and number of persons trained and monitored,
- the number of new products, methodologies developed by the FSP (including micro assurance).
- number of solicitants for copy of the thesis/publications
- level of difficulty experienced by financial service providers in recruiting skilled persons.

The evaluation examined the project's achievements at the micro level (support service providers and MFIs) and meso level (strengthening the technical infrastructure). The assessment of the project activities and achievements in relation to targets allows the following observations:

### **Findings on Capacity-Building for MFIs**

The project has enabled MFIs technicians access to trainings in microfinance. In 2007, fifteen participants representing the main MFIs in Mozambique have participated in training in microfinance and 4 technicians have been trained in the areas of finance and rural finance. These courses were organised in the framework of the cooperation between DNPDR and the *Instituto de Formação Bancário de Moçambique* and the International Capital Corporation, and with a partnership with ILO.

In 2008, thirty-eight people representing operators in microfinance at the provincial level participated in a course aimed at empowering political analysts, professionals and managers about the business of microfinance and rural finance for the development of a sustainable microfinance sector.

In 2009, thirty-nine participants from various institutions (Ministries, Banks, and MFIs) participated in a course in the district of Vilanculos. This course aimed at increasing understanding on best practices in microfinance, promote the establishment and systematic improvement of a solid legal and regulatory environment, developing approaches to critical issues in the area of rural finance and microfinance. The course was organised at Escola Superior de Desenvolvimento Rural of Eduardo Mondlane University; within the cooperation with universities and other training institutions.

In 2010, the project has supported the participation of two Microfinance Institutions (FDM and Hluvuku) in the ILO training- Boulder course (July- August).

According the beneficiaries interviewed, these trainings have had a significant impact on their general knowledge in the field of microfinance However, two concerns were highlighted: (i) the courses were not

sufficiently practical and related to operational activities of the beneficiaries. (ii) the training offer have not been sufficiently disseminated. Some MFIs were not aware of training organized by the project.

### **Findings on HIV/AIDS actions and microinsurance.**

The project has included in its activity plans in 2007, 2008 and 2009 actions to facilitate access to training of trainers programmes and to support FSPs for the adoption of HIV/AIDS action plans and the introduction of micro or funeral insurance.

However, in compliance with the deliberation of the Steering Committee, the objective of the item was reformulated and due reorientation was made in terms of budget, having materialized in the financing of a technical assistance on the subject of HIV/AIDS in the workplace, for the suppliers of microfinance and micro insurance in the financial sector.

Regarding the introduction of micro-insurance, a study was initiated in 2007 and it allowed the publication of a book “*Micro Seguros em Moçambique - Situação Actual e Perspectivas*”. This study recommends that for better access of low income population to insurance, there must be promotion of this services within microfinance institutions and insurance companies. In September 2010, the Terms of reference was launched for the recruitment of a consultant to support the development of strategies and action plans to expand the use of micro-insurance.

### **Findings on trainings and support to AMOMIF**

The project has facilitated access to training of trainers programmes in partnership with specialized international training institutes to create a pool of local expertise in microfinance.

- The project supported the Association for Mozambican Microfinance (AMOMIF) so that it can develop robust trainings or curricula for Mozambican financial services providers. In 2010, a budget of US \$ 100.000 was allocated to the support of AMOMIF. However, AMOMIF is a very young association with limited capacity. At the time of the evaluation, the staff of the association include in any and every the director and a secretary.
- On October 23rd of 2007 , a protocol of understanding was signed between the DNPDR, the Institute of Banking Training of Mozambique (IFBM) and Capital International Corporation (ICC). The project aim is to support to 5 (five) graduates per year. Curricula for microfinance developed and used at the Faculty of Economics, Eduardo Mondlane University.
- It was initially planned in the PRODOC that, as part of output 2 « Microfinance Service Provider’s training capacities developed and training opportunities effectively promoted». The targets are primarily Financial Services Providers (FSD). So far, there is no local training institutions supported by the project. The trainings are still provided by international trainers through AMOMIF.

- The evaluation finds that trainings activities were very opened in terms of content and beneficiaries. For some trainings, the final beneficiaries were the staff of DNPDR<sup>3</sup>, and some topics have no connection with the specific objective of the project. For example, the training organized in Lisbon on 25/11 to 12/05/2008 on the subject of "executive secretariat, management support, administrative support, business protocol and public relations" and the one organized in Lisboa 03-17/08/2009 on "Strengthening and reinforcement of professional skills of the Executive Secretariat".
- The evaluation suggest for a mismatch between the financial services provides and the training offer. Many trainings were focused on general issues or content for administrative support services but not enough to practical issues relating to accounting techniques, cost control, customer relations, delinquency management, fixing interest rates, financial analysis of projects, communication and marketing techniques, governance, management information systems (MIS), human resource management ...

### **6.3. PROJECT RESULTS ON INNOVATIVE FINANCIAL PRODUCTS.**

The project aim is to support innovation at micro-level. Through this result, the project would contribute to the introduction of innovative products and to the increase in the number of the population having access to financial services, mainly in rural areas.

To achieve this objective, the project has funded four MFIs through grants and loans: BOM, FDM; PROGRESSO and HLUVUKU. The results are determined following indicators:

- By the end of 2007, 1 new product / methodology selected and initiated, number of beneficiaries reached, portfolio at risk (30 days) <5%, operational sustainable after three years.
- By the end of 2008, 1 new product / approach supported; 5.000 customers are receiving these new products; portfolio at risk (30 days) <5%, operational sustainable after three years.
- By the end of 2009, 1 new product / approach supported; 5.000 customers are receiving these new products; portfolio at risk (30 days) <5%, create sustainability and increased productivity in two youth associations Gaza and; operational sustainable after three years.
- By the end of 2010, 2 new product / approach supported; 5.000 customers are receiving these new products; portfolio at risk (30 days) <5%,

However, the project began the initial financing in late 2008. The impact of these funds do not become manifest so logically until 2009.

#### **Findings on Innovation and Outreach.**

The innovations supported by the project include mobile banking, financial products for women, and products that specifically address the needs of agricultural producers like contract farming and micro-leasing.

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<sup>3</sup> Institutional support to DNPDR in the field of microfinance is included in the output 1. It involves the provision of an expert in microfinance and the recruitment of a financial and administrative officer.

The evaluation analyzed the innovative products, the outreach and the financial performance of the MFIs financed by the project. Performance analysis of MFIs is made using data reported by MFIs to the project BIFSMO and Performance Targets Indicators listed in the Grant or Loan Agreement between the MFI and UNCDF. These data were supplemented by those from Mix Market and AMOMIF. The evaluation concludes that, at mid-term, the project is on track to achieve its goals for this outcome. Below, we provide details of the analysis for each MFI receiving funding from the project.

#### **a. Banco Oportunidade de Moçambique.**

In 2008, the project supported Banco Oportunidade de Moçambique (BOM) for the introduction of mobile banking in the province of Zambezia. This financial instrument is considered very promising in Mozambique.

#### **Box 2: BOM Statements On Mobile Banking**

Prospective clients can register, open accounts, deposit, withdraw and receive loans through the unit. Clients can also access their account balances, receive term deposits, account statements and loan history reports on request. BOM uses biometrics and eMbu in the mobile bank, providing on-line delayed time account and transaction information for clients. The data from eMbu is synchronized at regular intervals with the main server at the BOM Head Office in Maputo via a cellular internet connection. This allows clients to have up-to-date information on their accounts (no older than the start of the current business day). The villages/towns served by the mobile bank are Catandica, Sussundenga, Gondola/Amatongas, Inchope and Nhamatanda. The mobile unit also services Vila de Manica until the completion of the satellite branch office. The response and acceptance of the mobile bank by the local communities has been very good and clients welcome the service provided. It seems clear these clients are now looking forward to having full-time, permanent satellite branches in their communities as demand and expectations grow. The success of this first mobile bank in the Manica/Sofala Provinces prompted BOM to implement a second mobile bank in the Zambezia Province. It is expected that the vehicle will be operational by the end of March 2008 and it will serve the localities of Nicoadala, Namacurra, Maganja da Costa, Licuar and Maquival. BOM already has a loan officer working in Nicoadala serving 141 rural clients in the community.

Source: [www.oibm.org](http://www.oibm.org)

The funding of BOM was conditional on a number of performance targets to be achieved by the IMF in terms of: number of active clients, % of women, Adjusted Return On Assets (AROA), Portfolio At Risk (PAR), Operational Sustainability (OS). It was not possible to obtain figures on the isolated impact of the introduction of mobile banking funded by the project on the performance of BOM. However, given the growth of the bank's results in rural areas during the period 2008-2009, BOM considers that innovation through mobile banking contributed significantly to this success.

Table 6: BOM Performance indicators

IMF Supported	2006	2007	2008	2009	2010 (targets)
Number of active clients	13.004	19.884	26.083	33.651	39.463
% of Women	52,48%	44,1%	41,71%	44,41%	40%
PAR – 30 days	0,73%	3,69%	5,38%	3,97%	5%
Operational Self Sufficiency (OSS)	64,09%	93,58%	102,86%	107,00%	58,36%

Source: AMOMIF, BIFSMO and Mix Market

- The evaluation found that BOM has achieved great performance in terms of growth in the number of active clients far beyond the expected objectives. In 2009, the first year after the granting of the subsidy, BOM has registered 33.651, an increase of 7.568 (proposed target: 3.280 clients). The expected growth in 2010 is 5.812 new clients (proposed target at year two: 4.881 active clients).
- BOM is slightly below its targets for the % of women served. In 2009, the % of women served was 44,41% (minimum target: 45%). Forecasts for 2010 are even down (40%) compared to the result of 2009 and below minimum expectations (45%).
- Portfolio quality is in line with international standards (<5%). In 2009, the PAR at 30 days achievements are of 3,97% in 2009 and 5% expected for 2010.
- Performance regarding the operational sustainability (OSS ratio) is also good. In 2008 and 2009, BOM has achieved an OSS ratio of, respectively, 102.86% and 107.00% above the minimum expected which was set at, respectively, 60% and 100%.
- The profitability of BOM remained a problem in 2008 and 2009. According to data from Mix Market, the return on assets was, respectively, 1,03% and -19,85%. The performance targets listed in the Loan Agreement are fixed at 37,3% in 2008 and 12,7% in 2009.

#### **b. Fundo de Desenvolvimento da Mulher (FDM),**

The project has supported the Fundo de Desenvolvimento da Mulher (FDM), an IMF located in Gaza Province. The mission of FDM is to raise up the socio-economic status of micro-entrepreneurs and low-income workers, mainly women, through provision of financial and non-financial services in rural and semi-rural areas in the south of Mozambique. This MFI has received two funding from the project in November 2009 a grant of U.S. \$ 70,000 and a loan of U.S. \$ 100,000. The loan covers a period of two years (2009-2011) with an annual interest rate of 10%.

Performance analysis of FDM shows that this MFI has achieved its objectives for 2009 and is on a good path for 2010. However, it is important to note that it is difficult to attribute all of the MFI's performance to financial support of the BIFSMO project. FDM has received additional funding from other donors: a loan of US \$ 50,000 in 2008 from KIVA, a grant of Mt 1,543,000 in 2010 from Catalunya Foundation, a grant of Mt 1,837,000 in 2008 from the FARE Program for the building of the a new branch in Inhambane.

Table 7: FDM Performance indicators

IMF Supported	2006	2007	2008	2009	2010 (targets)
Number of active clients	2.121	2.069	2.116	2.300	3.481
% of Women	81%	79,02%	-	93%	80%
PAR – 30 days	5,79%	3 ,82%	5,3%	2,33%	5%
Operational Self Sufficiency (OSS)	98.88%	114%	108,41%	109,00%	108,00%

Source: AMOMIF, BIFSMO and Mix Market

- The number of active clients in 2009 is 2300 (the target is 2000) and expectations for 2010 are set to 3481 (against a target of 2,600).
- FDM clientele is predominantly female FDM: 93% of customers in 2009, estimate of 80% in 2010. These results are in line with the targets (80% in 2009 and 2010).
- The quality of the portfolio in 2009 (PAR> 30 days) is 2.33%, well under international standard (< 5%). The forecast for 2010 is 5%. FDM is sustainable. However, its performance (OSS ratio of 109% in 2009) is below the targets fixed in the Loan Agreement (minimum OS ratio of 120% in 2009).

### **c. PROGRESSO**

A grant was also offered to PROGRESSO, an NGO providing microfinance and other empowering services in the sectors of education, health, and agriculture to the poor throughout the northern province of Cabo Delgado, Mozambique. Progresso offices are located in Maputo. PROGRESSO received a grant of US \$ 88,848 that covers the period 2009-2012. It was intended to support Progresso with regard to its capacity building, business development, transparency enhancement and overheads plans.

This MFI has had some difficulties in complying with the contract requirements in terms of reporting. After an initial payment of 44,924 in 2009, funding was stopped in October 2009. Progresso has subsequently received the support of UNCDF for the compliance with the agreement conditions. The payment of subsidies resumed only may 2010.

This MFI has 555 customers in 2009, 34.95% are women. It plans to reach a total of 4,000 customers in 2010. Performance indicators are below the targets (and international standards): a ratio PAR > 30 days of 12.07% in 2009 (target: 8%) and a ratio of 11.30% OSS in 2009 (target 40%).

#### **d. HLUVUKU**

Hluvuku-Adema is an MFI located in the Matutuine district of the the province of Maputo. The MFI's mission is to promote socioeconomic development in the Matutuine district, providing sustainable services to low income people. This is carried out through three initiatives: (i) Male Yeru – Micro finance, (ii) Machovo – Micro Commerce and (iii) Khindlimuka – Social work. The umbrella organization, Hluvuku-Adsema, was established in 2001, but was preceded by Male Yeru. Male Yeru was founded in 1995 with the goal of quickly promoting economic stability and development in a region that was severely effected by the 15 year Mozambican civil war. Hluvuku-Adsema offers its clients a range of loan products and is positioning itself to introduce savings products to the local market in the near future. Its target group are farmers and fishermen.

With micro-leasing Hluvuku allows microentrepreneurs to lease equipment, machinery, or vehicles. All goods are purchased new and officially owned by Hluvuku, while the microentrepreneurs pay monthly installments to lease the equipment. Finally, at the end of the leasing term, the micro-entrepreneur have the opportunity to purchase the item from Hluvuku at a reasonable, discounted price. With housing and micro-leasing, Hluvuku is engaged in investment financing. The medium term loans portfolio represents 39% in 2008 and 40% in 2009.

#### **Box 3: Micro-leasing innovation in microfinance.**

Investment is an issue in microfinance and a challenge for micro-entrepreneurs. For MFIs, it represents an opportunity for portfolio diversification and creating sustainability. Unfortunately, access to medium and long term finance remains problematic for many micro-entrepreneurs. In this context, the leasing instruments could help raise the capacity of micro-entrepreneurs and the challenge of medium-term funding for microfinance.

Leasing is a medium term financing instrument which can be used for financing fixed and moveable assets, such as farm machinery, equipment, buildings, land, means of transport, etc. The core principle of leasing is the separation of ownership and use of a productive asset: The owner (lessor) hands the asset over to the lessee for an agreed period of time against a periodic payment which covers capital costs, depreciation and a profit margin. Leasing incurs lower transaction costs compared to collateral-based term loans, due to lower costs in developing and enforcing contracts in areas where asset registries and judicial systems for contract enforcement are poorly developed.

Micro-leasing services can reduce cash flow problems in small businesses and provide a less risky exit strategy where businesses prove non-viable. The key benefit of leasing is the relaxation of collateral requirements because the leased asset itself stands as main security. A second advantage relates to the in-kind disbursement mode which avoids the risk of diversion of funds. However, rural lessors face high transaction costs for supervision of lessees, a lack of secondary markets for repossessed equipment, of appropriate insurance products and awareness amongst all stakeholders about the legal and operational features of leasing.

Hluvuku has received two grants of US\$ 26.800 in 2009 and US \$ 120.000 in 2010, and a loan of US \$100.000 in 2009 from the project. The grant of US \$ 120.000 was not fully disbursed at the time of this study. The funding aims to support the MFI for providing financial services to farmers and merchants and develop innovative products in the region Matuitine. In this framework, Hluvuku launched in 2009 activities of micro-leasing mainly to farmers.

The MFI has received supports from other donors (KIVAS USA, FARE/PAFR, Un Sol Mon Foundation, Banco de Moçambique, FUSM ). According to information provided by the Hluvuku in its annual accounts, donations for institutional strengthening, operational activities and equipment represent US \$ 150.000 (3,902,492 MT) for 2008 and US \$ 190,000 (4,901,254 MT) for 2009. Situation for loans is US. \$ 550,000 (14,251,670 MT) for 2008 and US \$ 480,000 (12,418,478 MT) for 2009.

Table 8: HLUVUKU Performance indicators

IMF Supported	2006	2007	2008	2009	2010 (targets)
Number of active clients (groups)	1.958	2.530	3.248	4.185	5.466
% of Women	37,03%	46,°1%	52,99%	55%	63%
PAR – 30 days	3,69%	2,55%	3,88%	4,32%	4,70%
Operational Self Sufficiency (OSS)	115%	112,89%	135,97%	115,00%	130,90%

Source: AMOMIF, BIFSMO and Mix Market

- Hluvuku is on a good progression in relation to targets. In 2009, the first year of funding, the number of active customers rose by almost 30% over the previous year.
- The quality of the portfolio in 2009 (PAR> 30 days) is 4.32%. The forecast for 2010 is 4,70%, in line with the international standard. HLUVUKU is sustainable. In 2009, its achievements are above the benchmark of the sector in Mozambique. A ratio of 115% against an average of 85% for the eight MFIs that report to MIX Market.
- Hluvuku also shows promising results in terms of profitability. According to the data reported to Mix Market, the return on assets (ROA) is 10.23% in 2008 and 7.64% in 2009 (against an average of -1.75% for the 8 MFI of the sample). The return on equity (ROE) was 15.12% in 2008 and 11.42% in 2009 (against an average of -3.63% for the sector).

## 7. ASSESSMENT OF THE MICROFINANCE SECTOR IN MOZAMBIQUE.

The microfinance sector in Mozambique has experienced strong growth over the past five years. Although the results of the current sector are still low compared to needs, an important step has been taken. The changes mainly concern two areas: the regulation and the rise of commercial banks having the status of microfinance.

### 7.1 REGULATORY FRAMEWORK.

The regulatory framework in Mozambique, through the Decree n° 57/2004, of December 10<sup>th</sup>, allows for four categories of microfinance providers:

- **Category A:** microfinance operators that receive deposits from the public, integrating solely the Micro banks, in any of the four types: Savings bank, postal savings bank, financial rural bank and Savings and Credit bank.
- **Category B:** microfinance operators that receive deposits only from members, that integrate the Credit Cooperatives and the Savings and Loan Organizations, and community oriented.
- **Category C:** microfinance operators that only give credit, integrating only the Micro credit Operators, which is the new denomination to be assigned to single and collective individuals who, so far, were licensed by Decree n° 47/98, on the exercise of credit functions.
- **Category D:** microfinance operators that intermediate the collection of deposits; who received the designation of Deposit Collection Intermediates, an activity open to any type of entity, collective or singular including corporations.

For licensing and inspection purposes, the Microfinance Regulation separates these operators in two main groups:

- the microfinance operators subject to authorization and prudential supervision and
- the microfinance operators subject to mere registration and exempt of prudential supervision (subject to simple «monitoring»).

Table 9: Microfinance Regulation framework

MICROFINANCE PROVIDERS			Deposit Taking		Credit		Minimum Capital
			From Public	Members only	To Public	Members Only	
<b>Subject to Prudential Regulation</b>	Microfinance focused banks and MicroBanks	General Credit & Savings Bank	Yes	n/a	Yes	n/a	5.000.000
		Rural Finance Bank	Yes	n/a	Yes	n/a	1.200.000
		Economic Bank	Yes	n/a	Yes	n/a	2.400.000
		Postal Saving Bank	Yes	n/a	No	n/a	1.800.000
	Credit Cooperative		No	Yes	No	Yes	200.000
<b>Subject to Monitoring</b>	Credit and Saving Associations		No	Yes	Yes	No	150.000
	Microfinance Operators		No	n/a	Yes	n/a	75.000
	Deposit institutions		Yes	n/a	No	n/a	n/a

Source: Bank of Mozambique

Prudential Regulation and Supervision refers to the supervision and follow-up, by the Bank of Mozambique or another entity acting on its behalf, of the fulfillment of norms of prudential nature, namely the ones related to the solvency ratio, reserves and risk limits, among others ratios and prudential limits, in view of, specifically, either the protection of the financial system as a whole, or the safety of the public funds deposited in each particular institution

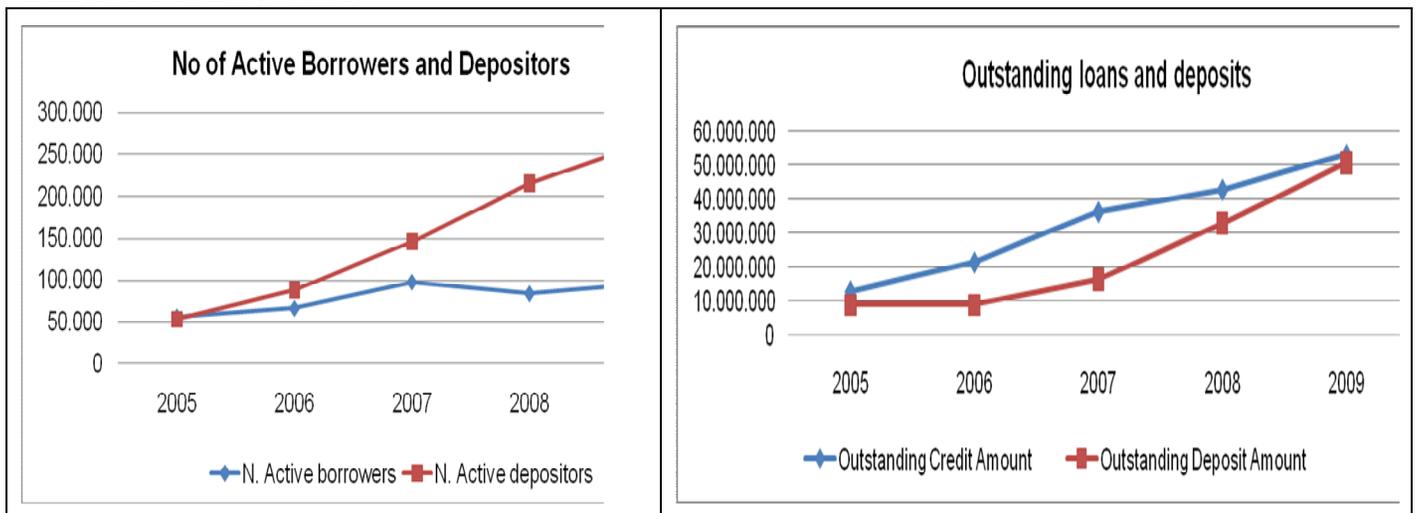
Monitoring refers to simple follow-up, by the Bank of Mozambique or another entity acting on its behalf, of the provision of financial services by qualified operators, whom are not financial institutions nor corporations, focused in the reception of information of general nature and normally with widened periodicity, namely for statistic purposes, in order to follow-up the developed financial activities

## 7.2. MICROFINANCE MARKET STRUCTURE.

According to data from the Bank of Mozambique in 2009, the financial system is composed of 14 commercial banks (including microfinance focused banks); 3 microbanks; 6 credit cooperatives; 9 credit and saving associations, and 95 microfinance operators.

In terms of outreach, microfinance focused bank perform relatively well relative to benchmark. From 2005 to 2009 the number of credits granted increased by 70% and the number of depositors increased by 395%. This dynamism is even more important in terms of amount. Indeed, during the same period the growth in amount loan and deposits was 315% to 470%, respectively.

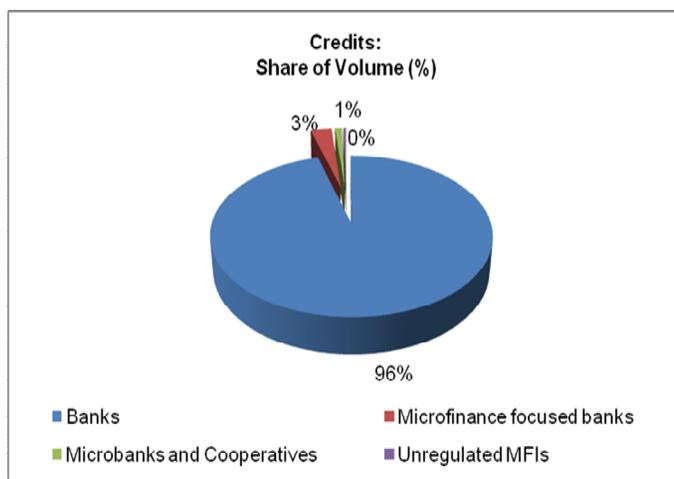
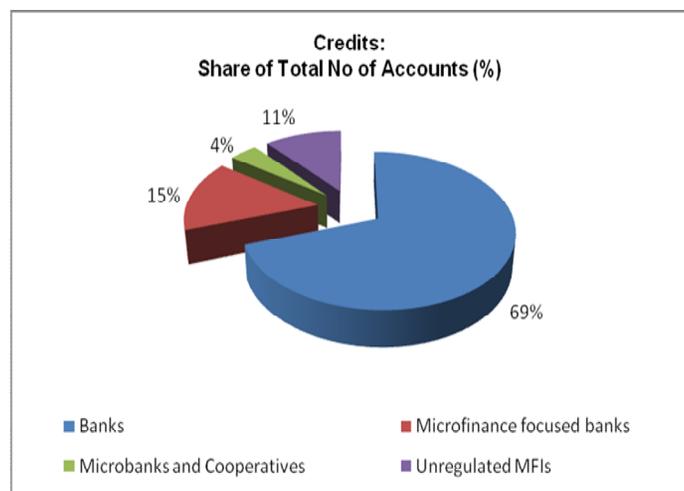
Exhibit 1: Market structure



Source : World Bank, 2008

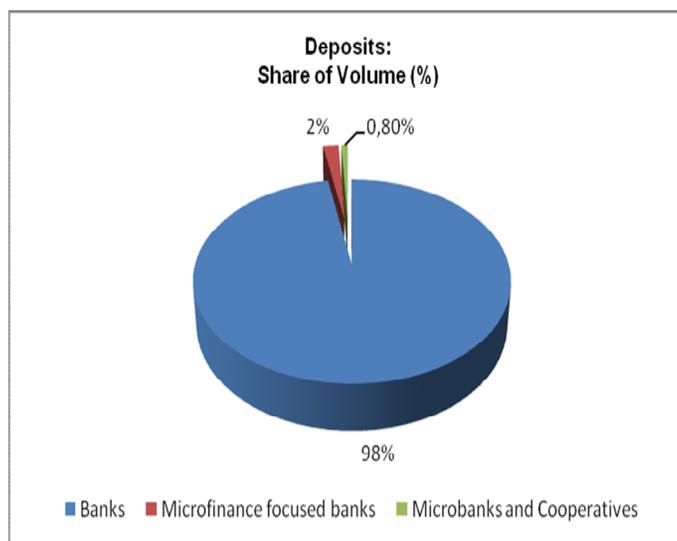
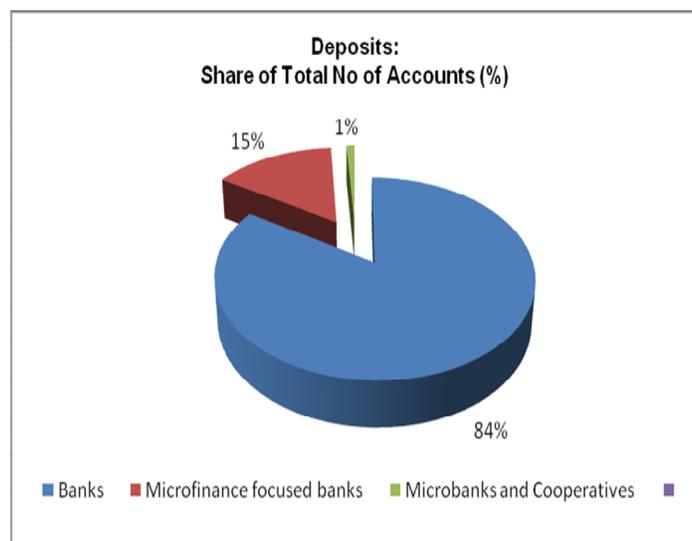
However, this high level of growth is relative. Indeed, the contribution of microfinance to the financing of the economy remains very modest. The table below gives an indication of the respective MFIs and the formal banking sector in the provision of loans and deposits in 2008.

## Exhibit 2: Credit indicators



Source : World Bank, 2008

## Exhibit 3: Deposit indicators



Source : World Bank, 2008

Regarding risk management, microfinance focused banks appear solid relative to the african benchmark. In 2008, the portfolio at risk is similar to the benchmark for microfinance institutions with a bank charter: the PAR>30 days was 3,7% for microfinance focused banks and 3,5% for the African benchmark. Furthermore, return on assets (ROA) was higher than the benchmark: 1,8% for microfinance focused banks and 0.4% for the African benchmark. However, their productivity per employee is almost half that of the institutional benchmark, suggesting that low productivity may be contributing to low outreach.

In terms of profitability, unlike microfinance focused banks, cooperatives in Mozambique perform less (ROA: -6%) than the African average (-1%). The PAR >30 days is high in Mozambican cooperatives (16,9%) relatively to the African benchmark level (6,7%). Unregulated microfinance operators are fragmented and some show institutional weaknesses. The 95 unregulated microfinance operators that are registered with the central bank are characterized by a high rate of entry and exit. Minimum capital requirements are very low, and many are heavily subsidized by government and donor funds. Many of these institutions are small, serving an average of 800 clients each, and some have limited staffing structures. Even with subsidies, these institutions charge interest rates ranging from 5 to 10% percent per month.

### 7.3 MARKET CONCENTRATION AND MFIS LOCATION.

MFIs operate mainly in urban areas, mainly concentrated in Maputo. According to the FinScope study (2009), about 45% of rural population is at least three hours away from the closest formal financial services provider. Furthermore, the sector is highly concentrated. In 2009, nearly 90% of the credit portfolio was managed by the 4 big MFIs: Banco ProCredit, Socremo, Tchuma, and Banco de Oportunidades.

Credit and deposit size, in particular for MFIs focused banks, is high (three times the GDP for Socremo) suggesting that some MFI are not serving the smallest of microbusinesses. The table below shows the average loan balance per borrower/ GNI per capita.

Table 10: Average loan balance per borrower/ GNI per capita

	2005	2006	2007	2008	2009
BOM	63.85%	58.64%	79.30%	96.80%	69.41%
FDM	45.06%	56.86%	105.91%	77.32%	53.89%
Hluvuku	132.15%	115.97%	145.33%	122.53%	78.13%
NovoBanco - MOZ	183.15%	189.32%	268.79%	263.02%	192.91%
SOCREMO	290.07%	313.43%	347.33%	384.99%	311.70%
Tchuma	99.88%	96.61%	124.55%	123.57%	96.91%

Source: Mixmarket, 2009

Many of the MFI clients use a variety of formal and informal services. Microfinance providers offer is mainly limited to credit. Some MFI (banks focused MFIs) are allowed to collect deposit. Other very limited products offered are: foreign exchange facilities, money transfers, cheque accounts and accounts in foreign currencies.

## 7.4 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND CONSTRAINTS.

The development of microfinance is constrained by high stress and low-level micro, meso and macro: high level of concentration, inadequate MIS (some MFI operate with a manual MIS) or weak management tools, weak governance, lack of sustainable mechanisms for refinancing MFI, weak capacity to manage MFI in a professional and sustainable way, lack of a coordination mechanisms, limited access to financial services for youth. The table below summarises the strengths and weaknesses of the sector.

Table 11: SWOT Analysis

LEVEL	STRENGTHS AND OPPORTUNITIES	WEAKNESSES AND TREATS
MICRO	<ul style="list-style-type: none"> <li>• Dynamism of the sector</li> <li>• Banking sector liquidity</li> <li>• Institutions interested in innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Inaccurate data;</li> <li>• Poor quality of the portfolio in small-scale institutions;</li> <li>• Inadequate equity capital</li> <li>• Low outreach,</li> <li>• Small-scale and isolated institutions in rural area</li> <li>• Lack of financial innovations and of products tailored to needs of rural populations, women and youth</li> <li>• Failure in terms of Management Information System (MIS);</li> <li>• Inadequate savings and credit safeguards;</li> <li>• Poor governance;</li> </ul>
MESO	<ul style="list-style-type: none"> <li>• AMOMIF willingness to play a central role in boosting the sector</li> <li>• Credit information bureau</li> <li>• Emerging support infrastructure (audit offices, consulting firms, etc.);</li> <li>• Dissemination of best practices;</li> <li>• Training and capacity-building</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of material, human and financial resources for the implementation of AMOMIF's activities;</li> <li>• Lack of non-financial services providers</li> <li>• Weak capacities of support structures;</li> <li>• underutilization of the credit bureau (excluding unregulated MFIs)</li> </ul>

	initiatives.	
MACRO	<ul style="list-style-type: none"> <li>• Adequate supervision and regulations;</li> <li>• Existence of a control and supervision body within the BdM;</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of a cooperation and coordination framework,</li> <li>• Lack of a Microfinance Strategy adopted by the government, along with its Action Plan;</li> <li>• Lack of a microfinance stabilization Fund.</li> </ul>

## 7.5 STRATEGY FOR STRENGTHENING THE CAPACITY OF THE SECTOR

The microfinance sector has sufficient resources compared to the number and size of the institutions to be supported. However, these resources are too scattered. Each donor or stakeholders in the microfinance sector is managing support to MFIs, under the framework proposed by the government, but without coordination with other stakeholders. The consequences for sustainability of the sector and the development of an inclusive financial system are numerous:

- It is difficult to measure the effectiveness of these interventions because they are cumulative and are sometimes competing for the same actions.
- There is no visibility into the impact of the interventions in microfinance. For example, regarding the high interest rates charged by MFI (5 to 13% per month), there is no requirements on the limitation of interest rates as far as subsidized funding is concerned. some donors and can penalize the viability of projects. However, prohibitive interest rates penalize profitability of micro-business and increase financial exclusion of those who can not afford. These practices are incompatible with an inclusive vision of the financial sector.
- The abundance of no coordinated subsidies may create a disincentive to efficient management, sustainability of MFIs and costs control.

BIFSMO has several advantages to get involved in these challenges. First, the strategy put in place. The funding approach, that require reviewing the MFI capacity before deciding the mode of financing (grants or loans) is an important element in risk management that should interest banks . BIFSMO should increasingly involve the banking sector in the financial arrangements with MFIs. The enhancement of the integration of microfinance within the financial system is among the missions of the project. Second, the UNCDF experience in the field of microfinance. This experience should help to avoid some traps in project design, implementation, management. The lessons learned elsewhere can be used to improve the effectiveness of the approach in Mozambique. Finally, BIFSMO should increase the involvement of the academic world and other non-financial operators such as vocational training institutions.

## **8. SUSTAINABILITY OF THE RESULTS**

At mid-term review, one must be cautious about the sustainability of results. In fact, MFIs funding has begun in 2008 and the MFI beneficiaries are only beginning to generate preliminary results. Some issues seem critical:

- Reporting capacities: project interventions are conditioned by the respect of certain conditions, including reporting requirements. This learning is an achievement for MFIs and help support the management in general;
- Risk of dependence on subsidies: MFIs are receiving supports from several donors. There is a risk of dependence on subsidies that may inhibit the implementation of good practices.
- Governance and management capacities: the issues of governance and management capacity remain crucial in many MFIs. The management is still dominated by one or two people at the top of the management. A slightest change could hamper the sustainability of the institution.
- Staff turnover: the question of qualification of staff is an issue. Some experienced staff move to other institutions or banks for better salaries. In the same time growth require more qualification and new skills.
- Inadequate Management Information System (MIS): the MIS remain a problem for MFIs in particular those located in remote area. MFI have difficulties to access real-time information on operations from branches because of the lack of adequate communication systems. In general terms, internal control mechanisms are weak, this may hamper the ability of the MFI to tackle risky clients.

## **9. LESSONS LEARNED**

- It is important to have a global vision on the microfinance industry to ensure the effectiveness of policies in this area.
- The institutional framework should incorporate public bodies with links to the financial Sector.
- Does the absorptive capacity of the market in terms of effective demand for financial services justify a project that would increase the supply of credit in the sector? In addressing this question, it is recommended that the donors realistically assess the external constraints to the growth of the microfinance sector to ensure that additional credit would help rather than harm poor microentrepreneurs.
- Coordination between donors and projects in the microfinance sector is a sine qua non condition for enhancing the effectiveness of a project.

## **10. RECOMMENDATIONS.**

To enable the project to stay on track against objectives, we propose to take prompt action at the macro, meso and micro.

### **a. Study on a unique microfinance strategy.**

The project should commission a study on the implementation of the national strategy for microfinance. The main objective of this study is to develop a unique strategy based on the rural finance strategy and national microfinance strategy and propose an inclusive approach at national level. This study should also provide a clear action plan with clear steps, targets and indicators.

### **b. Creation of a National Microfinance Unit (NMU)**

The evaluation recommends the creation of a National Microfinance Unit incorporated within the Bank of Mozambique. This is a coordination body whose mission is to insure the coordination of the Government's general policy on microfinance, the monitoring of the activities and operations of stakeholders and the consistency and compliance of projects and programs according to the strategy.

The issue of coordination of actions in the microfinance sector is crucial. To date, the bodies that have a global view on the sector have not in the principal responsibility for effective coordination. The minutes of the Reference Group shows that the debates is often focused on the annual activities or questions on rural finance, but rarely on strengthening the effectiveness and coordination of actions of different stakeholders. Everything happens as if the pattern does not seem a major issue.

The main justification for the creation of a national unit is the problem of lack of strategy. The national strategy for microfinance (MNS) is not sufficiently argued. It lacks vision on the long term. It does not contain neither a real action plans nor a proposal for funding. The project BIFSMO has not made the adjustments and the necessary proposals to the implementation of the NS as they would result from the project component 1.

One mission of the Unit would be to coordinate the mechanisms necessary to professionalize the MFI. In interviews, some MFIs have remarked that they would like to take stock of their situation in terms of organization, financial strength and strategy to prepare to switch to the status of micro-banks regulated by the Bank of Mozambique. This support is not currently available.

The project would integrate a new output “a professional microfinance unit within the Bank of Mozambique is operational and support the development of the microfinance industry”. The targets for this output would be: (i) establishment of a focal point, (ii) microfinance sector data base, (iii) support to the credit bureau.

### **c. Establishment of a Microfinance Development Fund**

In order to promote the development of the microfinance sector and provide for the wholesale funding requirements of microfinance banks, a Micro Finance Sector Development Fund would be set up for reasons stated above:

- Funding activities require knowledge and skills in terms of risk analysis, monitoring and control. However, with the current practice, each donor apply its own methods and financing conditions. For MFIs, these various practices require time and money to comply with project design, contractual and reporting requirements for each donor. For donors, it is difficult to ascertain the impact of subsidized rates offered to MFIs on loan terms and conditions as they are applied to micro-businesses. During interviews, some donors have confirmed not controlling the interest rates policy of MFI that are receiving funding.
- Financing for microfinance activities are available, either by the government, donors or even the local banks. However, the microfinance sector is still considered very risky and small businesses discourage banks to enter the market. There is a need for a professional and skilled operator with good understanding of local needs and specificities and that could more efficiently mobilize local resources under the supervision of and support of the Bank of Mozambique.

The Fund shall provide necessary support for the development of the sub-sector in terms of refinancing facility, capacity building, and other promotional activities. The Fund would be sourced from governments, international development financing institutions, local banks, as well as multilateral and bilateral development Institutions.

### **d. Funding policy.**

Concerning the financing of MFIs, the evaluation recommends increasing the capacity and speed for the loans. Seek the involvement of local banks in financing mechanisms. Monitor and control how MFIs pass on the favorable terms they receive to their customers.

### **e. Enlargement of scope of information and coverage of credit bureau**

The credit bureau is an excellent tool to improve management of credit risk by the MFI and prevent debt problems for customers. In the current situation, only MFI regulated by the Bank of Mozambique have access. The interviews revealed that many MFIs are interested in access to credit bureau and willing to do reporting on their clients.

Expanding the coverage of the credit bureau may be justified for the following reasons:

- access restriction on access to regulated MFIs does not solve the problem for them to cope with overburdened borrowers when loans were contracted with MFIs that do not report to the Credit Bureau.
- unregulated MFIs undergo the same risk as regulated MFIs regarding the problem of multiple credits for certain borrowers.
- lack of control on access to credit may constrain the inclusive approach. Indeed, high interest rates and heavy charges associated with multiple credits may increase poverty and financial exclusion.
- Technical access to internet is possible to many MFI, even in remote area, which makes data transfer and checking technically possible.

#### **f. Strengthening non-banking Financial Services Providers**

Strengthening local non-banking services providers for support not only in training, but also in finance, market studies, developing business plans, participation in calls for proposals. The microfinance sector can not develop without the benefit of professional and effective support services. These services consist of training activities, financial management, support to marketing strategy, assistance in developing business plans, support to innovation, support for the compliance with regulations, support for the participation at calls for proposals from donorss ... These activities are essential for promoting an inclusive approach.

#### **g. Strengthening the AMOMIF status.**

AMOMIF is the voice of the MFI. Unfortunately, the association have a crucial lack of capacity. At the moment of the evaluation, the human resources capacity was limited to two persons. The updated Operational Plan contains actions and activities to reinforce the AMOMIF mission but their implementation rely mainly on external support. The association needs to consolidate its status as the voice of MFIs by integrating in its missions not only training but also lobbying, connection with local authorities and the banking sector.

## **ANNEXES**

### **Annexe 1: Terms of Reference.**

## **PROJECTO DESENVOLVENDO UM SECTOR FINANCEIRO INCLUSIVO EM MOÇAMBIQUE**

### **AVALIAÇÃO DE MEIO-TERMO DO PROJECTO**

#### **TERMOS DE REFERÊNCIA**

**REF: EOI/001/2010**

#### **I. Enquadramento do Projecto**

##### Contexto

Moçambique possui uma população de cerca de 20,5 milhões de habitantes, dos quais cerca de 54% vive abaixo da linha da pobreza, isto é, com menos de um dólar por dia. Cerca de 80% dos pobres vivem nas zonas rurais e tem uma capacidade limitada de se livrar das malhas da pobreza devido aos baixos níveis de escolaridade; altas taxas de dependência dos agregados familiares; baixa produtividade agrícola, particularmente no sector familiar, falta de oportunidades de emprego no sector agrícola e limitações de ordem infraestrutural.

O objectivo principal do Governo de Moçambique no quinquénio 2005-2009 era de reduzir os níveis da pobreza absoluta de 54% em 2003 para 45% até 2009, através da adopção de medidas sócio-económicas tais como a promoção do emprego e empreendedorismo, a expansão da rede escolar e sanitária, melhoria e expansão das fontes de água, especialmente para as zonas rurais onde vive a maior parte da população moçambicana.

O apoio do PNUD tem como objectivo apoiar o Governo de Moçambique na prossecução dos seus objectivos de redução da pobreza apoiando os esforços de estabelecimento e/ou manutenção de instituições nacionais eficientes, quer estatais ou não estatais, e apoiando a implementação dos planos de desenvolvimento e, se necessário, a idealização de estratégias nacionais para o desenvolvimento de capacidades.

Tal como descrito no Documento do Programa do País (DPP) proposto, o PNUD centra-se nas intervenções que apoiam a planificação de desenvolvimento nacional e gestão de políticas; desenvolvimento local através da descentralização; governação democrática e reforma legislativa; aumento de acesso à justiça, prevenção da violência e promoção de direitos humanos; fortalecimento da sociedade civil; uso eficiente dos recursos disponíveis para o desenvolvimento económico equitativo, combate ao HIV/SIDA e afirmação do Género.

O acesso limitado aos serviços financeiros pelos pobres, particularmente nas zonas rurais, foi identificado como um dos obstáculos para o desenvolvimento sustentável em Moçambique e para o combate à pobreza. O PNUD reconhece que os serviços financeiros e os produtos disponíveis e acessíveis para as populações pobres, particularmente nas zonas rurais poderiam fazer uma contribuição significativa no combate à pobreza e promoção do desenvolvimento sustentável.

Em resposta a isso, o PNUD em Moçambique criou o “Projecto Desenvolvendo um Sector Financeiro Inclusivo em Moçambique -*Building Inclusive Financial Sector in Mozambique Project*” (BIFSMO), que é um programa conjunto com a UNCDF (Fundo das Nações Unidas para o Desenvolvimento do Capital). O projecto inclui três componentes que são as seguintes:

- Apoio à operacionalização da Estratégia Nacional de Microfinanças através do desenvolvimento de um plano de acção claro e monitorável.
- Capacitação dos diferentes formadores para administrarem formações de alta qualidade na área de Microfinanças (gestão, análise de créditos e desenvolvimento de produtos)
- Apoio ao desenvolvimento de serviços financeiros inovadores para melhorar a acessibilidades dos serviços financeiros aos pobres, em particular nas zonas rurais.

Inicialmente, o Projecto havia sido elaborado para um período de 3 anos (2007-2009), mas foi recentemente prorrogado até 2011 como parte do UNDAF (United Nations Development Assistance Framework) e extensão do Programa pelo País.

Sendo este o terceiro ano consecutivo da implementação do projecto, reveste-se de extrema importância fazer uma avaliação de meio termo do projecto, com vista a verificar a pertinência ou não da continuidade ou extensão do mesmo por mais tempo. Por isso o trabalho irá contemplar duas componentes importantes: a primeira, a que diz respeito a avaliação do projecto propriamente dito e, a segunda que tem a ver com avaliação do sector micro-financeiro em Moçambique.

## **II Objectivos da Avaliação**

### **2.1 Objectivo Geral**

O objectivo geral do trabalho é de avaliar o desempenho e realizações do Projecto de Microfinanças (BIFSMO) na sua implementação de meio-termo e avaliar o sector nos níveis macro, meso e micro, no âmbito da criação do sector financeiro inclusivo em Moçambique de modo a definir a futura estratégia de intervenção do PNUD/UNCDF e do Governo de Moçambique.

## **2.2 Objectivos Específicos**

Para atingir o objectivo geral, a equipa de avaliação vai seguir os seguintes objectivos específicos:

- (i) Avaliar a eficácia, relevância, eficiência e sustentabilidade do programa e os resultados alcançados desde o início da implementação em comparação com o plano inicial;
- (ii) Avaliar o impacto da formação em micro-finanças junto dos beneficiários;
- (iii) Avaliar a adequabilidade dos novos serviços/produtos de Microfinanças introduzidos e sua relevância para as necessidades dos pobres;
- (iv) Avaliar o nível de desenvolvimento do sector a nível macro, meso, e micro, de modo a destacar os pontos fortes e fracos e formular recomendações concretas para a sustentabilidade das realizações e proporcionar directrizes para as futuras intervenções do PNUD/UNCDF no âmbito do novo projecto da UNDAF.

## **III. Âmbito do Trabalho**

A avaliação incluirá revisões internas (desk reviews), recolha de dados empíricos qualitativos e quantitativos relacionados com as actividades e resultados do projecto (realizações e resultados), bem como com o ambiente do sector de Microfinanças (políticas, estratégias, instituições, necessidades, desafios, sendo que um está relacionado com a avaliação do desempenho do projecto e o segundo com a avaliação do quadro sectorial.

## **IV Principais Tarefas**

Para alcançar os objectivos, a equipa de avaliação deverá:

### **Parte I: Avaliação do Desempenho do Projecto**

1. Identificar e analisar o ambiente do sector no período de elaboração do projecto e o actual (pontos fortes, pontos fracos e desafios) por forma a avaliar a sua relevância em cada momento;
2. Identificar e analisar os princípios chaves para a promoção do sector financeiro inclusivo segundo o definido pelo UNCDF e PNUD no sentido de avaliar o alinhamento do projecto com esses princípios,
3. Avaliar a adequação e relevância do quadro institucional, no qual o BIFSMO está a operar/integrado incluindo as suas organizações, funcionamento e recursos;
4. Avaliar a adequação dos recursos (humanos, financeiros e materiais) afectados ao projecto para a realização dos objectivos estabelecidos;
5. Analisar os objectivos, resultados, indicadores, alvos e instrumentos de intervenção do BIFSMO e avaliar sua relevância no ambiente do sector prelevante;
6. Avaliar o impacto das acções de formação ao nível das instituições do ensino e o seu efeito multiplicador;
7. Identificar as lições aprendidas na implementação do projecto;

8. Recolher dados qualitativos e quantitativos sobre os resultados até aqui alcançados pelo BIFSMO e avaliar a sua contribuição para o sector financeiro inclusivo em Moçambique, tomando em consideração o quadro de monitoria e avaliação do Projecto definido;
9. Dar recomendações para o melhoramento do desempenho do Projecto de modo impulsionar o impacto.

## **Parte II: Avaliação do Sector de Microfinanças**

1. Avaliar a situação actual do Sector de Microfinanças em Moçambique (políticas, estratégias, instituições, perfil dos beneficiários, etc.), seus desafios, tendências e contribuição para tornar os serviços financeiros inclusivos em Moçambique através de:
  - a. Identificação e destaque de necessidades para abordar as lacunas e desafios enfrentados pelo sector, com maior enfoque na capacitação a curto e médio prazos,
  - b. Recolha e análise da informação sobre as necessidades do sector a nível macro de modo a criar um ambiente favorável para o desenvolvimento dos serviços financeiros a nível regulador, promoção e coordenação
  - c. Identificação das necessidades para reforçar a infra-estrutura técnica a nível meso, incluindo o mecanismo de formação, controlo e auditoria
  - d. Identificação e análise das necessidades de apoio para reforçar as capacidades institucional, organizacional e financeira dos PSF (Provedores dos Serviços Financeiros) de modo a ter uma boa cobertura do país, assim como a cobertura do grupo potencial ou seguimento populacional em particular mulheres e jovens com instituições sustentáveis
  - e. Recolha e análise da informação sobre os serviços de apoio ou pré-requisitos para melhor abordar as necessidades da população menos servida de modo a ter acesso sustentável aos serviços de micro finanças.
2. Dar recomendações para as áreas de apoio/intervenção para o futuro UNDAF.

## **V. Metodologia de avaliação**

A metodologia de avaliação será a seguinte:

1. Revisão e análise dos documentos chaves relacionados com o projecto e o sector, incluindo:
  - a. Documentos do Projecto (PRODOC, Plano de Acção do Programa de Cooperação (CPAP), Planos Anuais de Trabalho);
  - b. Relatórios de progresso de implementação do Projecto;
  - c. Estratégia de Finanças Rurais;
  - d. Plano de Acção para a Redução da Pobreza Absoluta em Moçambique (PARPA);
  - e. Quadro da Assistência das Nações Unidas para o Desenvolvimento (UNDAF) do país;
  - f. O livro Azul (The Blue Book) das NU –Criação dos Sectores Financeiros Inclusivos;
  - g. Contratos de Desempenho com os Provedores de Serviços Financeiros (PSFs) e outros actores,
2. Reuniões com os representantes de agencias parceiras, (Governo, PNUD UNCDF, DNPDR) parceiros chaves (incluindo IMFs e AMOMIF), projectos de referência (PAFR e FSTAP) e outros doadores

envolvidos no sector, particularmente o KFW, IFAD, BAD, AFD, Banco Mundial Cooperacao Espanhola e Cooperacao Italiana;

3. Visitas de campo para PSFs sob acordo com UNCDF (BOM; FDM; PROGRESSO, HLUVUKU) e com PSF potencial;
4. Encontros com os beneficiários dos Serviços de Microfinanças no geral e em particular os Projectos de Jovens que resultam do Joint Programme;

## **VI. Composição da Equipa de Avaliação, Organização e Duração**

### **6.1 Composição e Perfil dos Avaliadores**

A avaliação será realizada pelos dois consultores: um consultor internacional que será líder da equipa e um consultor nacional.

O consultor internacional deve ser um especialista sénior na área de avaliação de projectos/programas e que tenha um bom conhecimento de Microfinanças e métodos de avaliação, especialmente em África, e de Projectos/programas financiados pelas Nações Unidas. Será responsável pelo processo de implementação e de apresentação de resultados finais.

O consultor nacional deve ser um especialista na área de Microfinanças, com conhecimento profundo do ambiente bancário do sector financeiro e do sector de Microfinanças em Moçambique. Deve também possuir experiência relevante na avaliação de projectos, particularmente no sector de Microfinanças. A seguir estão os perfis detalhados da equipa de avaliação

#### Perfil do Consultor Internacional

- Mestrado em Economia, Finanças de Desenvolvimento, Administração de Negócios ou áreas afim;
- No mínimo 10 anos de experiência dos quais pelo menos 5 a 7 na área de Microfinanças e Banca ou SME,
- Experiência substancial na monitoria e avaliação participativas de projectos/programas ou sector de Microfinanças em África,
- Experiência comprovada na formulação e avaliação de Projectos,
- Conhecimento comprovado no sector de Microfinanças e financeiro em, África,
- Familiarizado com o funcionamento das instituições governamentais em África,
- Boa capacidade de comunicação e de relacionamento interpessoal;
- Boa capacidade de compreensão da afirmação das questões transversais;
- Domínio de Inglês;
- Excelente habilidade de escrita e habilidade comprovada de elaborar documentos de qualidade e com rapidez;
- Experiência comprovada de liderança de equipa;
- Conhecimento da Língua Portuguesa constitui uma vantagem,
- Conhecimento do processo da estratégia nacional constitui uma vantagem

## Perfil do Consultor Nacional

- Grau universitário e pelo menos 10 anos de Experiência dos quais 5 em áreas de Microfinanças ou áreas afins;
- Experiência de trabalho em ou com Instituições Governamentais;
- Familiarizado com o sector de Microfinanças em Moçambique
- Habilidade de facilitar contactos com Instituições de Microfinanças do Governo;
- Capacidade de trabalhar em equipa;
- Excelente capacidade de redacção e habilidade comprovada de elaborar documentos de qualidade e com rapidez;
- Fluente em Português e bom domínio de Inglês falado e escrito

### **6.2 Organização do processo de Avaliação**

No encontro inicial com a PNUD, UNCDF e DNPDR, e recolha de documentos, a equipa irá aprimorar a metodologia e planificar o processo de avaliação no relatório inicial

No final do trabalho de campo, a equipa deverá dar um pequeno resumo sobre o progresso da avaliação e as constatações iniciais do trabalho do campo.

No âmbito das operações da missão, os consultores receberão apoio logístico da DNPDR e PNUD e trabalharão estreitamente com a Equipa do BIFSMO, DNPDR e PNUD/UNCDF.

A missão estará livre de discutir com as autoridades competentes e parceiros e potenciais parceiros dos assuntos relevantes para realizar a avaliação mas não será empoderada para fazer compromissos em nome do programa da PNUD e UNCDF ou BIFSMO.

Quaisquer emendas destes termos de referência serão aceites sem o consentimento prévio escrito da equipa conjunta da PNUD e UNCDF.

### **6.3 Duração da Avaliação**

A missão de avaliação vai durar 37 dias (incluindo os dias de viagem) distribuídos da seguinte forma:

- Início (resumo inicial, recolha de documentos, preparação, organização e relatório inicial): 5 dias
- Revisão interna e encontros em Maputo: 5 dias
- Visitas de campo: 7 dias;
- Elaboração do Relatório de Progresso e apresentação/UNCDF e DNPDR: 2 dias
- Encontros Adicionais em Maputo: 2 dias
- Elaboração do Relatório Preliminar: 10 dias;
- Apresentação do relatório e sessão de trabalho com PNUD/DNPDR e UNCDF (Gestor Técnico Regional de Joanesburgo e gestor da carteira): 1 dia;
- Revisão do Relatório: 2 dias

- Apresentação do Relatório e seminário de validação (Comité Técnico do Projecto e outros parceiros chaves); 1 dia
- Conclusão do relatório: 2 dias.

A avaliação está prevista para iniciar no dia 1 de Junho de 2010 e deve estar concluída (relatório final submetido e aprovado) até 30 de Julho de 2010.

## **VII. Resultados**

A equipa de Avaliação deverá apresentar os seguintes resultados finais:

### **1. Relatório Inicial**

O relatório inicial deverá ser submetido imediatamente após a reunião com o PNUD, UNCDF e DNPDR, e este relatório deverá facultar a abordagem metodológica melhorada para o trabalho, o Plano de Trabalho e quaisquer questões relacionadas com os TdRs que poderão de análise e ajustes.

O relatório inicial não deve exceder 5 páginas

### **2. Relatório de Progresso**

O relatório de Progresso deverá ser submetidos após a revisão interna e visitas de campo e deve dar a indicação do cumprimento do Plano de Trabalho de avaliação, bem como o progresso contra as tarefas principais e realização dos objectivos definidos

O relatório de Progresso não deverá exceder 10 páginas.

### **3. Relatório Preliminar**

O relatório preliminar deve ser finalizado duas semanas após o fim das visitas de campo e as observações pertinentes serão efectuadas pelo PNUD, UNDP, UNCDF e DNPDR e consultores chaves seleccionados. O relatório deve incluir as constatações preliminares da avaliação, conclusões e recomendações.

O relatório não deverá exceder 25 páginas.

### **4. Relatório Final**

O relatório final de avaliação deverá ser concluído uma semana após a submissão do relatório preliminar. Este relatório que deverá ser validado num seminário, deverá ser submetido em duas línguas (Português e Inglês) e deve incluir os seguintes aspectos:

#### **4.1 SUMÁRIO EXECUTIVO (máximo 5 páginas)**

A avaliação do Sumário Executivo deverá ser parte integrante do relatório de avaliação. Deve descrever resumidamente o Projecto, os objectivos e a metodologia da avaliação, principais constatações, lições aprendidas, conclusões e recomendações.

#### **4.2 RELATÓRIO PRINCIPAL (máximo 40 páginas)**

### **PARTE I – AVALIAÇÃO DO PROJECTO BISFMO**

#### **1.1 Breve Análise do Projecto**

Breve análise da região e do sector de Microfinanças, apresentação de dados sobre a área de intervenção (localização geográfica, aspecto socio-económico e político, população, etc.),

Apresentação factual do programa de BIFSMO segundo o originalmente concebido e qualquer mudança feita no progresso: objectivos de desenvolvimento, objectivos imediatos, resultados esperados, actividades, mecanismos de implementação, orçamento e finanças, monitoria e avaliação, planos de trabalho, riscos identificados na elaboração programa, etc.),

#### **1.2. Avaliação da Elaboração do Projecto**

Esta secção do relatório deve abordar questões relacionadas com a relevância e claridade dos objectivos, realizações, indicadores, alvos e *inputs* segundo o estipulado no documento do projecto. Deve também avaliar a relevância das mudanças feitas durante a fase piloto e suas justificativa.

Esta secção deve analisar a adequação dos objectivos e resultados finais do projecto em relação às necessidades dos beneficiários directos (apoiados pelo MFIs) e beneficiários finais (os pobres, especialmente as mulheres), analisar as condições críticas e hipóteses definidas durante a fase de elaboração do projecto, bem como a relevância da elaboração do projecto em relação ao objectivo geral do Governo de Moçambique, UNCDF e PNUD, de combate à pobreza.

#### **1.3. Fiscalização do Projecto e Desempenho de Gestão**

Esta secção irá analisar a sustentabilidade da estrutura de gestão e do sistema em uso (atribuição de funções e responsabilidades, poderes de tomada de decisão, relações entre a orgânica e UNCDF/UNDP, DNPDR conjunta, comité do projecto e o comité directivo).

Também analisará a qualidade geral da monitoria a nível governamental e UNCDF/PNUD, bem como a eficácia do circuito de tomada de decisões;

Esta secção também analisará o quadro institucional, dando enfoque sobre as ligações com os outros projectos geridos pelo DNPDR, tais como FARE assim como a ligação ao Banco Central e Ministério das Finanças. Também irá avaliar a adequação da opção de integrar o Projecto no DNPDR e não no Ministério das Finanças ou outra instituição.

Além dos pontos supracitados, também irá a estratégia, a capacidade técnica e desempenho da Equipa do BIFSMO no alcance dos objectivos do Projecto e realizações esperadas do Projecto bem como o uso dos recursos financeiros afectados ao Projecto e procedimentos de monitoria.

A secção discutirá também a eficácia, o desempenho e coordenação dos mecanismos do Comité de Investimentos na prossecução dos seus objectivos de investimentos, assim como o objectivo da coordenação dos doadores no quadro da visão de propriedade nacional para o desenvolvimento, e criação do sector financeiro inclusivo. Também irá analisar se os investimentos aprovados têm probabilidade de contribuir para a inclusão financeira em Moçambique, limitações e desafios que poderão impedir esta contribuição.

#### **1.4. Realizações do Projecto**

Nesta secção, o Relatório deve apresentar e discutir as realizações do projecto frente-a frente com os objectivos antecipados, resultados qualitativos e quantitativos e alvos, assim como o impacto. A análise incluirá a consistência dos resultados alcançados com as necessidades dos beneficiários directos e indirectos bem como as expectativas do projecto.

A secção irá especialmente olhar para as realizações, relevância e impacto da formação provida a vários beneficiários. A avaliação do impacto das acções formação ao nível nas instituições do ensino superior, particularmente com a UEM, não deverá limitar-se exclusivamente aos 3 anos de vida do Projecto BIFSMO, mas deverá também, deverá considerar os treinamentos anteriores efectuados pela DNPDR, dentro da mesma lógica de reforma curricular.

Esta secção irá identificar e analisar os principais pontos fortes e fracos (ou “factores de bloqueio”), a conformidade da execução do projecto com os princípios e abordagens da UNCDF e PNUD para Microfinanças, plano e orçamento.

A secção abordará ainda mais a questão de sustentabilidade dos resultados alcançados e o impacto, através da análise e apresentação dos mecanismos em vigor para garantir a sustentabilidade, vincando a perspectiva de que (i) as IMFs apoiados pelo programa BIFSMO continuam a prover serviços de Microfinanças sustentáveis, quer quantitativa e qualitativamente – adaptados para satisfazer as necessidades dos clientes pobres e empresários falidos (ii) a DNPDR continua a desempenhar um papel coordenador efectivo e promoção de finanças inclusivas (iii) o banco central irá continuar a gerir o risco dos FSP (Provedores dos

Serviços Financeiros) (iv) a associação dos FSP, AMOMIF, continuará a defender aos interesses da indústria enquanto se atinge a viabilidade financeira e (v) os PSFs alcançarão a sustentabilidade financeira.

## **PARTE II – AVALIAÇÃO DO SECTOR DE MICROFINANÇAS EM MOÇAMBIQUE**

### **2.1. Revisão do Sector de Microfinanças de Moçambique**

Nesta secção, o relatório irá analisar o sector de Microfinanças com enfoque sobre:

- O quadro legal e institucional prevalecente no sector,
- O processo, ferramentas e eficácia da acção de gestão de risco, o esquema de controlo (distância e controlo no terreno) e monitoria para os Provedores dos Serviços Financeiros;
- Fazer um diagnóstico profundo das actividades afim de promover o sector financeiro inclusivo (eficiências, ineficiências, oportunidades e limitações) em relação à realização do processo de inclusão financeira;
- Os mecanismos de monitoria e coordenação do sector, compromisso e envolvimento dos parceiros chaves (governo, profissionais, doadores, banco central), realizações e desafios;
- O progresso, eficiência, ineficiência, limitações e oportunidades de modo a melhorar o quadro macroeconómico, quadro legal e regulador com vista a alcançar os objectivos de criação de um ambiente conducente à promoção dos serviços financeiros por todos os provedores via Serviço viável e Profissional;
- A disponibilidade de infra-estruturas, serviços técnicos e acessibilidade à FSP;
- A situação das acções para reforçar o sector, com enfoque sobre os serviços necessários para melhorar a qualidade de recursos humanos (formação básica e especializada);
- Acções anteriores de reforço e capacitação implementada pelo BIFSMO, assim como outras iniciativas implementadas pelo DNPDR e outros parceiros;

Nesta secção, o relatório também fornecerá a descrição e segmentação dos provedores dos serviços financeiros (FSP) a nível micro para o período de implementação do BIFSMO (2007) até ao momento, baseado na:

- Assistência comunitária (membros, clientes, segmentação de clientes especialmente mulheres e jovens, caso esteja disponível o volume de poupanças e crédito, cobertura geográfica);
- Serviços e produtos oferecidos ;
- Eficiência e Eficácia dos FSP;
- Desempenho, rentabilidade e eficácia tais como, gestão de crédito e indicadores, nível de interesse, etc ;
- Gestão de Sistema de Informação;
- Sistemas de Controlo e Governação;

A secção também irá examinar a natureza, volume, características, previsibilidade, frequência, relevância e qualidade da assistência externa provida pelas agências dos parceiros doadores de MAE/DNPDR nomeadamente o BAD e IFAD através do PAFR, Banco Mundial, KFW, PNUD, UNCDF, AFD, Cooperação Italiana, DANIDA.

## **2.1 Estratégia para fortalecimento da capacidade do Sector**

Com base na avaliação do sector, esta secção vai discutir a sinergia, adequação, pontos fortes e fracos das políticas existentes afim de promover um sector financeiro inclusivo, isto é, desenvolvimento rural sustentável, desenvolvimento económico local, promoção do emprego para os jovens, promoção de micro e pequenas empresas, e redução da pobreza em geral.

A secção irá analisar as limitações em relação às capacidades e necessidades do sector, especialmente em termos de mecanismos institucionais, recursos humanos capazes e recursos financeiros.

Para além disso, irá analisar o progresso, eficiências e ineficiências e acções necessária para profissionalizar a indústria de Microfinanças para melhor servir o segmento não abrangido tais como mulheres das zonas rurais, jovens e zonas rurais, pelos Provedores de Serviços Financeiros (PSFs)

Finalmente a secção irá acrescentar detalhes sobre os princípios orientadores para o desenvolvimento de uma estratégia com vista ao fortalecimento da capacidade do sector a todos os níveis.

## **PARTE III – CONCLUSÕES E RECOMENDAÇÕES**

Nesta secção o relatório irá sintetizar as principais constatações da avaliação, analisando tanto os sucessos como os fracassos do programa. Além disso, irá apresentar as lições aprendidas a partir da experiência do programa e das análises do sector a três níveis principais que são relevantes para formulação e implementação dos outros projectos e programas de Microfinanças em Moçambique e África, bem como fornecer elementos, recursos para o apoio do sector no âmbito do quadro do BIFSMO, incluindo o desenvolvimento da estratégia Nacional de Microfinanças no futuro.

Finalmente, a secção apresentará recomendações concretas em forma de plano de acção com responsabilidades atribuídas e indicadores.

**Annex 2 : Evaluation Work Plan.**

Date	Time	Activity
Prior to evaluation		
Day 1, September 23	9 :00 – 10 :00	UNCDF and DNPDR, Mrs Oumou SIDIBE VANHOOREBEKE, Mrs Lea Alexandre BILA Briefing and finalise the work plan
	10.30- 12 : 00	Banco de Moçambique, Mrs Otilia, Director of the Supervision Department. Microfinance Regulation Policy
	14.00 – 15:30	National Directorate for Promotion of Rural Development (DNPDR) Mr Olegario dos Anjos BANZE, National Deputy-Director.
Day 2, September 24	8:30- 10:00	Banco Oportunidade de Moçambique (BOM) Mr Tomas CHALE, Director Financiero
	11 :00-12 :30	Associação Moçambicana dos Operadores de Microfinanças (AMOMIF) Mr Ricardo TACA, Director Executivo. Mrs Marielle ZEIDLER, Expert GFA Consulting Group
	15:00- 17:00	Programa de Apoio as Finanças Rurais (PAFR)

		Mr Augusto Pedro ISABEL, Director General
Day 3, September 27	8:30- 10:00	KfW, GTZ Mr Gerd Juntermanns, KfW Development Bank Mrs Marielle ZEIDLER, Expert GFA Consulting Group
	10:30- 12:00	UNDP Mrs Naomi Kitahara, Deputy Resident Representative Mrs Utako Saoshiro, Programme Analyst Mr Gabriel Dava, Program Manager, Poverty Unit
	14:30- 16:30	IFAD Mr Custodio Mucavele, Country Officer
Day 4, September 28	8:30-15:30	FDM Mrs Ana Maria Salvador, Directora Executiva, Mrs Esmeralda Domingos Licoze, MIS Manager Mrs Rosalina Alfredo Matuele Simbine, Accounting and Human Resources.
Day 5, September 29	8:30- 10:00	Ministry of Commerce and Industry and Instituto para Promoção das Pequenas & Médias Empresas Mr Ernesto Eduardo MAFUMO, Director Geral Adjunto Mrs Svenja Paulino Rodriguez, Program Coordinator, GTZ
	10:30- 12:00	African Development Bank (BAD) Mr César TIQUE, Especialista para a Area de Agricultura e Desenvolvimento Rural.
	14:00- 15:30	Ministry of Finance Mrs Amélia Carlos Mutemba, Directora Nacional Adjunta do Tesouro Mrs Amélia Ribeiro

Day 6: September 30	8:30 – 10:00	Associação Progresso Mrs Tinioe van Eys, Mr Eurico Chemane
	10:30-12:30	Confederação das Associações Económica de Moçambique (CTA) Mr Eduardo Macuacua
	14:30-17:00	Inspeção Geral de Seguros Mr José Domingos, General Inspector of Insurance Mr Rui de Andrede Tsevete, Jurista Mr Xavier Antumu Chongo, Economist
Day 7, October 1	8:30-10:00	Fundo de fom. Pesqueiro Mr Larsen Vales, Head of the Technical Assistance Department Mr Jeronimo Lopes, Chefe Credit Department Mr Nelo Machava, Técnico de Crédito Mr Selso Cuaipa, Técnico de Filapificação
	14:00- 15:30	Tchuma Mr Roy Torres, Director de Operações
	16:30-18:00	Ministerio de Planificação e Desenvolvimento Mr. Salim Cripton Vala Secretario Permanente
Day 8, October 5	8:30- 17:00	HLUVUKU, IMF (Matutuine) Mr Bernardo Tembe, Executive Director Mr Francisco Cuamba, Financial Manager.
Day 9, October 6	8:30-10:00	Millenium BIM

		<p>Mrs Rachida Adam, Projecto Banca Rural</p> <p>Mr Eugenio Silvestre Wachave</p>
	10:30- 12.00	Fion de Vletter, Consultant
	14:00-15:30	<p>DNPDR</p> <p>Mr Joaquim Casimiro Macumbi, Director Nacional</p> <p>Mrs Lea Alexandre BILA, Coordinator BIFSMO</p> <p>Mr Magno Guambe</p> <p>Mr Anisio Chemane</p>
	15:30-17:00	<p>UNDP</p> <p>Mr Grabriel Dava.</p>
Day 10, October 7	14:00-16:30	<p>UEM</p> <p>Prof. Vasco Correia Nhabinde</p>

**Annex 3: List of key documents.**

<b>N</b>	<b>Document</b>
1	Terms of Reference – Building an Inclusive Financial Sector In Mozambique Project, Mid-Term Evaluation
2	PRODOC – Building an Inclusive Financial Sector In Mozambique
3	BIFSMO- Annual Activity Report 2007
4	BIFSMO- Annual Work Report 2008
5	BIFSMO- Annual Financial Report 2008
6	BIFSMO- Annual Activity Report 2009
7	National Policy and Strategy of Microfinance
8	Country Programme Document of Mozambique (2007-2009)
9	BIFSMO Project Brief 2010
10	BIFSMO Report FSP Trends juin2010vf(1)
11	BIFSMO Working Plan 2010
12	Audit Report Banco Oportunidade de Moçambique, SA 2009
13	Audit Report Hluvuku- Adsema 2009
14	Audit Report FDM – FUNDO DE DESENVOLVIMENTO DA MULHER 2009

15	Audit Report PROGRESSO 2009
16	BIFSMO- Terms of Reference Investment Committee
18	FINANCIAL SECTOR TECHNICAL ASSISTANCE PROJECT (FSTAP), AFRICAN DEVELOPMENT FUND, 2005
19	Building Inclusive Financial Sectors for Development, UN- UNCDF, 2006
20	UNCDF Microfinance Sector Development Approach 2004
21	FinScope Mozambique 2009, Survey Report
22	UNCDF Annual Report 2009
23	Microfinance in Mozambique, Achievements, Prospects & Challenges.
24	Grant Agreement UNCDF – FDM 2009
25	Grant Agreement UNCDF – BOM 2009
26	POVERTY OUTREACH AND IMPACT ASSESSMENT IN MOZAMBIQUE WITH THREE PARTNER INSTITUTIONS OF THE NETHERLANDS PLATFORM FOR MICROFINANCE
27	RURAL FINANCE STRATEGY IN MOZAMBIQUE 2010-2015
28	Operadores Microfinanceiros, Troca de informacoes
29	Annual Activities Plan 2007, 2008, 2009, 2010
30	Reports and minutes of the Investment committee
31	Reports and minutes of the Group of Reference

#### Annexe 4: Outputs, Targets and Activities.

<b>OUTPUT 1: A monitorable implementation plan for the National Strategy for Microfinance adopted, being implemented through appropriate coordination mechanism.</b>		
<b>Target 1</b>		
<ul style="list-style-type: none"> <li>▪ By the end of 2007, ToR for the Coordination of Board approved, National Conference held, National Strategy approved, Draft plan for implementation prepared, two articles published, 5 thesis funded.</li> <li>▪ By the end of 2008 and 2009, the inclusive finance strategy approved, data base in conjunction with BdM operational.</li> <li>▪ By the end of 2008, 4 meetings of the GR to discuss issues relating to microfinance (including discussion of the strategy), 2 articles on MF published and five thesis funded.</li> <li>▪ By the end of 2009, 4 meetings of the GR to discuss issues relating to microfinance (including discussion of the strategy), 2 articles on MF published and five thesis funded.</li> </ul>		
2007	2008	2009
ToRs for coordination committee developed and adopted and committee taking action on NS and Action plan.	Coordination committee fully functional (4 meetings) and monitoring NS Action Plan.	Coordination committee formulating policy advice for MF
<b>Targets 2:</b>		
2007	2008	2009
NS and action plan elaborated and approved	Action plan being implemented and monitored	Action plan being implemented and monitored
<b>Achieved activities:</b>		
<ul style="list-style-type: none"> <li>• Support the organisation of the IV National Conference of Microfinance in Mozambique organised in July 2007;</li> <li>• One meeting was held in September 2008. The objective was to ensure the involvement of different actors in microfinance and rural finance and improve the response to the challenge of extending financial services in rural areas.</li> <li>• Two meetings was held in 2009 (3 July and 16 November) and addressed the following issues: (i) the mapping of the financial providers of the <i>MFs</i> and rural finances and establishment of coordination mechanisms; (ii) the launching of the National Saving Campaign; (iii) the implementation of the National Rural Finance Strategy; and (iv) appreciation of projects and initiatives of various stakeholders.</li> <li>• Two meetings was held in March and July 2010. 30 persons in March and 12 in July attended these</li> </ul>		

meetings.

- Capacity of DNPDR strengthened at macro-level in microfinance. A financial and administrative officer was recruited in November 2008.

### Targets 3.

2007	2008	2009
Donor round table realized		Sector Wide Approach being promoted

### Activities achieved:

A coordination mechanism was established at macro-level through the Reference Group of key donors on microfinance and the Steering Committee (Ministry of Finance, Central Bank, DNPDR, and AMOMIF). Two meetings were held in 2009 (3 July and 16 November) and addressed the following issues: (i) the mapping of the financial providers of the *MFs* and rural finances and establishment of coordination mechanisms; (ii) the launching of the National Saving Campaign; (iii) the implementation of the National Rural Finance Strategy; and (iv) appreciation of projects and initiatives of various stakeholders.

### Targets 4&5.

2007	2008	2009
1 national seminar on Financial Inclusion organized		
2 articles publicized and communication material (leaflet) to disseminate best practices on microfinance (through radio program and internet)	4 articles publicized and communication material to disseminate best practices on microfinance (through radio program and internet)	4 articles publicized and communication material to disseminate best practices on microfinance (through radio program and internet)

### Achieved activities:

- A short course was carried out, in the Faculty of Economy of Eduardo Mondlane University, in September of 2007. 38 officials from different public and private bodies and institutions, Ministries, Central Bank, commercial sector, microfinance operators, among others, participated and discussed

many issues of this area, taught by senior technicians specialists in the subject, highlighting, among others, the issues related to: Microfinance and rural finance; Financial liberalization; Credit Methodology; Institutional sustainability; Banking regulation and Supervision; Microfinance and Academic Approach.

- The target for the publication of articles and dissemination of best practices was partially met. 2 articles and 1 pamphlet on Microfinance in Mozambique were published in collaboration with UEM.
- In 2009, the DNPDR in coordination with ESUDR/UEM financed five students in writing their dissertation papers in micro-finance and rural finances.

**OUTPUT 2: Microfinance Service Provider’s training capacities developed and training opportunities effectively promoted Microfinance Service Providers.**

**Targets 1, 2 and 3**

- by the end of 2007, 1 training package implemented, 10 trainers trained, 50 people trained, 25 people monitored, 5 undergraduate thesis in microfinance funded, 3 MFI has introduced micro-insurance, 4 MFI has established partnerships with a local organization for HIV / AIDS, 40,000 customers has access to products and services designed specifically in the context of HIV / AIDS.
- by the end of 2008, 7 trainers get the ILO License to take the course, 2 sessions of the course make microfinance work organized.
- By the end of 2008, 2 training institutions provide training services in the area of MF, 10 MFI participate in courses supported with satisfaction (50 people trained - 25 persons monitored) 3 MFI has introduced micro-insurance products (Eg. credit insurance, funeral assistance, social / fund for emergency); 4 MFI has established partnerships with a local organization for HIV / AIDS.
- By the end of 2009, 2 training institutions provide training services in the area of MF, 10 MFI participate in courses supported with satisfaction (50 people trained - 25 persons monitored) 3 MFI has introduced micro-insurance (Eg. credit insurance, funeral assistance, social / fund for emergency); 4 MFI has established partnerships with a local organization for HIV / AIDS.
- By the end of 2010, 10 trainers operational, 2 MFI trained in rural finance; 3 MFI has introduced micro-insurance products.

2007	2008	2009
Translation and implementation of ILO course on Management of FSPs	30 persons benefited from a MF course + 10 monitored	30 persons benefited from a MF course + 10 monitored
2 FSP have adopted HIV/AIDS action plan	2 FSP have implemented HIV/AIDS action plan	
1 FSP which has successfully introduced micro or funeral insurance	2 FSPs which have successfully introduced micro or funeral insurance	2 FSPs which have successfully introduced micro or funeral insurance

## Achieved activities:

As part of activities “Organization of the training for trainer” and “IMF support for participation in training”, the following training activities were organized:

- 1 training action was organized, in partnership with ILO, resulting in the training of 10 trainers for microfinance and rural finance.
- 1 short course was carried out, in the Faculty of Economy of Eduardo Mondlane University, in September of 2007: 38 officials from different public and private bodies and institutions, Ministries, Central Bank, commercial sector, microfinance operators, participated at this course. The topics discussed in the courses include: Agricultural Microfinance, Financial Liberalization, Credit Methodology, Bank supervision and regulation and Microfinance and Academic Approaches.
- In the framework of the cooperation between DNPDR and the *Instituto de Formação Bancário de Moçambique* and the International Capital Corporation, signed in 2007, and with a partnership with ILO, courses with 15 participants representing the main microfinance institutions in Mozambique were held and four technicians in the areas of finance and rural finance were trained. With respect to the Food Security Program many associations benefit from training in Partnership and Business management. In this, was included the DPPFs technicians, members of the District Economic Activity Services where the associations are based, and technicians from microfinance institutions namely FDM, CPL, and HLUVUKU. Objective: to enhance the participants’ technical capacities in particular of the associations’ beneficiaries as a way to make their actions have an immediate impact.
- 6-10 October 2008, Universidade Catolica de Moçambique (UCM); District of Cuamba.

General objective: the course was aimed at empowering political analysts, professionals and managers about the business of microfinance and rural finance for the development of a sustainable microfinance sector.

Number of participants: 38 people representing operators in microfinance at the provincial level and invited teachers and students of the UCM-Cuamba.

- 25/11-05/12/2008: Jutia Matlombe (BIFSMO) and Aurora Glesy (DNPDR) participate in training activities on the executive secretariat, management assistance, administrative support, business protocol and public relations, held in Lisbon from November 22 to December 5, 2008.
- 23-25/02/2009: Microfinance Conference 2009, Johannesburg. Microfinance regulation, Critical aspects on savings mobilization, Microfinance, intermediaries institutions and services providers, Commercial banks in Microfinance.

Participants: Dr Olegario dos Anjos Banze, Deputy National Director, DNPDR; Dr Antonio Mafueca, Coordinator BIFSMO.

- 11-15/05/2009: Microfinance and rural finance for development in Mozambique, "A Comprehensive Approach.", Within the cooperation with universities and other training institutions, a short term course was held at Escola Superior de Desenvolvimento Rural of Eduardo Mondlane University – in Inhambane, .", District of Vilanculos with 39 participants from various institutions (Ministries, Banks, and MFIs).

Topics: increasing understanding on best practices in MFI, promote the establishment and systematic

improvement of a solid legal and regulatory environment, developing approaches to critical issues in the area of rural finance and MFI.

- 20/07-07/08/2009: Boulder training, Turin, Italy. Participants: Mrs Maria Helena Michau, Aurora Glesy, and Jutia Matlombe, NDPDR, Dra Ester dos Santos José, Direccao Natcional de Investimento e Cooperacao. Content: microfinancas no presente e no future, gestao e sucesso de produtos diversificados, construir investimento nas MFI, plano de estrategias, governacao, social performance, microfinancas –solucoes movies
- 03-17/08/2009: Training in Lisboa, Portugal, “Actualizacao e Reforco das Competencias Profissionais do Secretariado Executivo”. 3 members of the staff (Ms Veronica Pombe, Direction of National Planification, Ms Sonia Mavale and Ms Adelcia Cumbi, DNPDR). The aims of this training were: compreender os factores que influenciam o context profissional e repercussia no papel da assistencia; reforcar a sua abertura de espirito e sua criatividade; desempenhar em pleno o papel de facilitador, indicar as suas reacoes em context de mudanca.
- 7-11 September 2009, Bamako, Mali, Training on Management of Microfinance Institutions. 3 persons attended the training: Mr Antonio Mafueca, Mr Francisco Tchauque (DNPDR), Mr Enoque Changamo (CCOM). Content of the course: metodos para educacao de adultos, governacao das MFI (definicao de governacao, quadro juridico e papel dos actors).
- 8-9 September 2009, Accra, Ghana, participation of two technicians of DNPDR (Ms Leila Bila and Lisardo Lopes) in a course about “Financial Capacities Promotion and Consumer Protection” held in Accra, Ghana.
- 12-14 January 2010, Training organised by BIFSMO in Marracuene, Methodology of project conception. 5 associations of Youth in Gaza (Manjakaze and Bilene) and Maputo (Matutuine and Boane)
- January 2010, Training in Marracuene, Capacitacao em material de HIV/SIDA.
- 12-14 January 2010, Training in Marracuene, “Capacitacao as associacoes em associativismo e gestao de negocios”.
- Training of trainers on-going to strengthen Associação Moçambicana dos Operadores de Micro finanças – Association for Mozambican Microfinance – (AMOMIF)

As part of activities “2 FSP have adopted HIV/AIDS action plan” and “FSP has successfully introduced micro or funeral insurance”, the following activities were organized:

- In 2007, in compliance with the deliberation of the Steering Committee, the objective of the item was reformulated and due reorientation was made in terms of budget, having materialized in the financing of a technical assistance on the subject of HIV/AIDS in the workplace, for the suppliers of microfinance and micro insurance in the financial sector.
- In 2009, a study of micro-insurance initiated in 2007 allowed the publication of a book “*Micro Seguros em Moçambique - Situação Actual e Perspectivas*”. The study recommends that for better access of low income population to insurance, there must be promotion of this services within microfinance institutions and insurance companies.

#### Targets 4

2007	2008	2009

Curriculum on MF for universities adapted and implemented in 1 university	Curriculum in 2 universities implemented	50 students having followed MF curriculum
<p><b>Achieved activities:</b></p> <ul style="list-style-type: none"> <li>▪ A protocol of understanding was signed on October 23rd of 2007 between the DNPDR, the Institute of Banking Training of Mozambique (IFBM) and Capital International Corporation (ICC). The aim is to support to 5 (five) graduates per year.</li> <li>▪ Curricula for microfinance developed and used at the Faculty of Economics, Eduardo Mondlane University.</li> </ul>		

**OUTPUT 3: Innovative financial products and approaches (mainly for rural areas) supported and number of active clients increased.**

**Target 1**

**The expected indicators are:**

- by the end of 2007, 1 new product / methodology selected and initiated, number of beneficiaries reached, portfolio at risk (30 days) <5%, operational sustainable after three years.
- By the end of 2008, 1 new product / approach supported; 5.000 customers are receiving these new products; portfolio at risk (30 days) <5%, operational sustainable after three years.
- By the end of 2009, 1 new product / approach supported; 5.000 customers are receiving these new products; portfolio at risk (30 days) <5%, create sustainability and increased productivity in two youth associations Gaza and; operational sustainable after three years.
- By the end of 2010, 2 new product / approach supported; 5.000 customers are receiving these new products; portfolio at risk (30 days) <5%,

2007	2008	2009
Investment Committee established and first investment granted	Investments granted	Investments granted

**Achieved activities:**

- In 2009, tenders for micro finance institutions were launched, for the design of proposals for new financial products/services, especially for rural areas. The *Banco Oportunidade de Moçambique (BOM)*, financed in 2008, inaugurated a Mobile Bank in the districts of *Nicoadala*, in *Zambézia* province in 2009. Contracts were also signed with the Woman Development Fund (FDM) for actions related to women and *HLUVUKU* for actions related to micro-leasing.
- Financial services providers was supported: Banco Oportunidade de Moçambique (BOM), the the mobile banking; Development Fund for Women (Fundo de Desenvolvimento da Mulher - FDM), for group-lending products for women; Hluvuku for loans specific to farmers through (micro-leasing). These service providers combined serve approximately 35,300 clients.
- With the exception of an institution, supported MFIs mastered their risk management.