



Government of Mozambique



United Nations Development Programme  
United Nations Capital Development Fund

**Building an Inclusive an Financial Sector in Mozambique**

### **Executive Summary**

Situated in the Southern African region, Mozambique has a population of 18.9 million inhabitants for 800,000 square kilometers. Despite many progress made, the country still ranked 168 out of 177 for the HDI.

The financial sector is very exclusive mainly in rural areas. The penetration rate is around 1.2%.

However two major programs are ongoing to support the development of the financial sector: the Rural Finance Support Program (34.3 million USD) funded by IFAD and ADB and the Financial Sector Technical Assistance Program (17.8 million USD) funded by IDA, DfID, World Bank, ADB and KfW.

Based on our gap analysis of the sector, our current program will contribute to the achievement of the MDGs, and to the UNDAF by mainly supporting outcome 1.7 “Institutions responsible for the promotion of pro – poor and sustainable economic development strengthened” through the following output 1.7.2 Community access to business and financial services, disaggregated by district, area and beneficiaries (in particular women and other marginalized groups) increased”.

The Program will support (i) the operationalization of the designed National Microfinance Policy by designing and implementing a monitorable Action plan; (ii) the expansion of the training capacities and opportunities to the Financial Service Providers and (iii) the promotion of innovative solutions to reach out mainly in rural areas.

The program will seek partnership with the major donors in the sector namely IFAD, KfW, ADB and CIDA to set up a joint investment committee.

With a 3 – year Program (2007 – 2009) with a budget of 3.1 million USD funded by UNDP (0.8 Million USD), UNCDF (1.3 Million USD) and 1 million USD to be mobilized, the program will contribute to the objectives set up in the PARPA (PRSP) i.e. the cumulative number of active clients will reach with a baseline of 100 000 in 2006, 125 000 in 2007; 150 000 in 2008 and 175 000 in 2009

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**Program Support Document**

**Intended Outcome as stated in the Country Programme Results and Resource Framework:**

More efficient use of available resources to promote equitable and sustainable economic development.

**Outcome indicators as stated in the Country Program Results and Resources Framework, including baseline and targets:**

- Increase of overall productivity, in the rural areas in particular, in a sustainable manner.
- Increase in number of MF clients accessing financial services, baseline for 2005 is 100.000

**Applicable MYFF Service Line:** MYFF Goal 1, service line 1.3

**UNCDF Project Number:**

**Project Title:** Construindo um sector Financeiro inclusivo em Moçambique  
**BUILDING AN INCLUSIVE FINANCIAL SECTOR IN MOZAMBIQUE**  
**BIFSMO (Working Title)**

**Source of Fund (SOF):** UNDP, UNCDF  
**Others** (to be mobilized)

**Estimated Start Date:** 2007  
**Estimated End Date:** 2009

<b><i>Programme Financing</i></b>	
Total:	US\$ 3 142 379
UNCDF:	US\$ 1 342 379
UNDP:	US\$ 800 000
(Including AOS)	
To be mobilized:	\$ 1 000 000
Government:	In-kind

**Strategic Areas Of Support:** Development of An Inclusive Financial Sector; Poverty Reduction

**Management Arrangement:** NEX for UNDP, DEX for UNCDF  
**United Nations Implementing Agency:** UNDP, UNCDF  
**Government Counterpart:** MINISTRY OF PLANNING AND DEVELOPMENT

*Approved on behalf of:*

<u>GOVERNMENT OF MOZAMBIQUE</u>	<u>UNDP</u>	<u>UNCDF</u>
<b>Aiuba Cuereneia</b> <b>Minister of Planning and Development</b> <b>Date :</b> _____	<b>Ndolamb Ngokwey</b> <b>Resident Representative</b> <b>Date:</b> _____	<b>Richard Weingarten</b> <b>Executive Secretary</b> <b>Date:</b> _____

### LIST OF ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank ( AfDB)
BIFSA	Building Inclusive Financial Sectors in Africa
BIFSMO	Building an Inclusive Financial Sector in Mozambique
BM	Banco de Moçambique/ Bank of Mozambique
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency
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
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
IC	Investement Committee
ICC	International Capital Corporation
IDA	International Development Association

IFAD	International Fund for Agricultural Development
IFB	Instituto de Formacao Bancaria
ILO	International Labour Office
KfW	Kreditansalt fur Wiederfbau/ KfW Bankengruppe
MDGs	Millennium Development Goals
MEDA	Mennonite Economic Development Associates
MFI	Microfinance Institutions
MIS	Management Information System
MIX	The Microfinance Information Exchange
MMF	Mozambique Microfinance Facility
MPD	Ministério da Planificação e Desenvolvimento
NSFI	National Strategy for Financial Inclusion, NS : National Strategy
PAFR	Programa de Apoio as Finanças Rurais
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium Enterprises
SOCREMO	Sociedade de Credito de Moçambique
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WB	World Bank

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## MOZAMBIQUE Geographical Situation



(Source: CIA website-CountryMap)

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## **1. Situational Analysis**

### **1.1 General**

1. "Situated along the Indian Ocean, Mozambique is a vast country in the Southern African region covering almost 800,000 square kilometers and benefiting from more than 2,500 kilometers of rich coastline. Forest and woodlands make up about 70 percent of the country. The majority of its 18 million people live in rural areas with an urban population of only 29 percent. The Mozambican society is very young. More than half of its population is under 18 years old.

Following independence from Portugal in 1975 Mozambique went through a devastating civil war with more than 1 million people killed or maimed and 5 million people displaced, including 1.7 million refugees. After the signing of a peace accord in 1992, the country managed to achieve political stability and rapid growth at an impressive pace. Nevertheless, it still remains one of the least developed countries in the world, because for most Mozambican families the fruits of the economic recovery remain out of reach"<sup>1</sup>

2. The Mozambican economy continues to show solid growth, having achieved an average real Gross Domestic Product (GDP) growth rate of almost 8% from 1996 to 2004 (2006 growth figure is estimated at 7.9% - with an average inflation of 9.4% in 2006), which was driven by good performance in the transport, mining, communication and construction sectors. This growth was accompanied by a decline in the indices of absolute poverty of around 15.3% from in 69.4% 1996/97 to 54.1% in 2002/03.

Nevertheless the country's Human Development Index (HDI) still remains one of the lowest in the world, 168 out of 177 (HDR 2006). An important observation is that the composition of GDP has changed over the period, agriculture share in the GDP has declined from 30% in 1997 to 23% in the same period, bearing in mind that the agricultural sector provides employment and economic support to over 70% of economic active population.<sup>2</sup>

3. It is important to note that the informal sector in Mozambique is pre-dominant as a recent survey of the National Institute of Statistics indicates that 75.2% of the active population is employed in the informal sector, 7.9 % is employed in formal sector and a remaining 17% is unemployed. The study demonstrates that 90.9% of persons employed are active in agriculture.<sup>3</sup> These figures indicate that the Microfinance

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<sup>1</sup> World Bank, Mozambique-At-A-Glance

<sup>2</sup> NHDR 2005 Reaching for the Millennium development Goals, Mozambique

<sup>3</sup>INE O sector Informal em Moçambique, Os resultados do primeiro Inquérito Nacional (2005), Agosto 2006



sector has an essential role to play for the economic development of the country as it has been demonstrated that it is very difficult for the informal sector to access financial services from the commercial banks.

## **1.2 Financial sector, Microfinance and Rural Finance**

4. The financial sector is an emerging sector, dominated by the commercial banks in full development. Structural reforms in the financial sector have improved the health of the banking sector with an increase in the capital adequacy ratio over the past few years, signaling an increasing ability to meet time liabilities, and a decline in bad debts. These developments improve banks' ability to lend and should in time translate into better access to credit and lower lending rates. The high level of dollarization in the market is falling on account of the imposition of a 50% provisioning requirement on foreign currency loans to non-exporters in early 2006 that made it more expensive for banks to lend in foreign currency.

5. The Central Bank indicates an increase in the total assets of the banking system of 19.56% in 2005 and a reduction in average interest rate spread from 13.8% to 10.8%<sup>4</sup>. The ratio credit/GDP is around 18% in 2005. In addition, the sector is very concentrated in few institutions and mainly in Maputo. The Bank of Mozambique (BM) currently has registered 9 commercial banks, 3 micro credit banks and 3 cooperatives under its supervision (including prudential rules).

6. The Microfinance sector started its development in 1989 and is therefore a fairly new activity in Mozambique<sup>5</sup>. A recent survey of the Microfinance sector indicated a 27% growth in client numbers and 7.5% nominal growth in net credit from 2002 to 2005.

7. Although the sector has grown over the past years, it remains severely concentrated. Out of about the 32 institutions of the sector in 2005, there are only four main players, three commercial banks and one cooperative (Novobanco, Socremo, Tchuma, Banco Oportunidade). NovoBanco, SOCREMO and Tchuma control more than two-thirds (68%) of the active portfolio in 2005. One operator, NovoBanco, controls one third of the total active portfolio. Although there are limited comparative data, there has been a significant growth in active portfolios with the three big operators, holding portfolios exceeding \$1.0 million and almost half of all operators with more than \$100,000 each (see figure 1).

8. The geographical coverage of the financial sector is also limited, while the 4 big operators are opening up more branches, particularly in the Central and Northern provinces, activities remain highly

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<sup>4</sup> [www.bancomo.mz](http://www.bancomo.mz)

<sup>5</sup> For an analysis of the sector see: Mozambique Micro-Finance Facility, Fion de Vletter, June 2006

concentrated, within the Maputo-Matola axis, being served by 14 operators attending more than half (50.8%) of nation's active micro-borrowers. Because of the higher average loan size in the Maputo area (in particular from NovoBanco and SOCREMO) these borrowers receive a proportionately higher percentage (58%) of the active portfolio. The situation is improving, with new operators and branches carrying out their activities in the Central and Northern Provinces. We can note that there are 24 operators active in Maputo, 6 in Gaza, and less than 4 for the other provinces in 2005.<sup>6</sup>

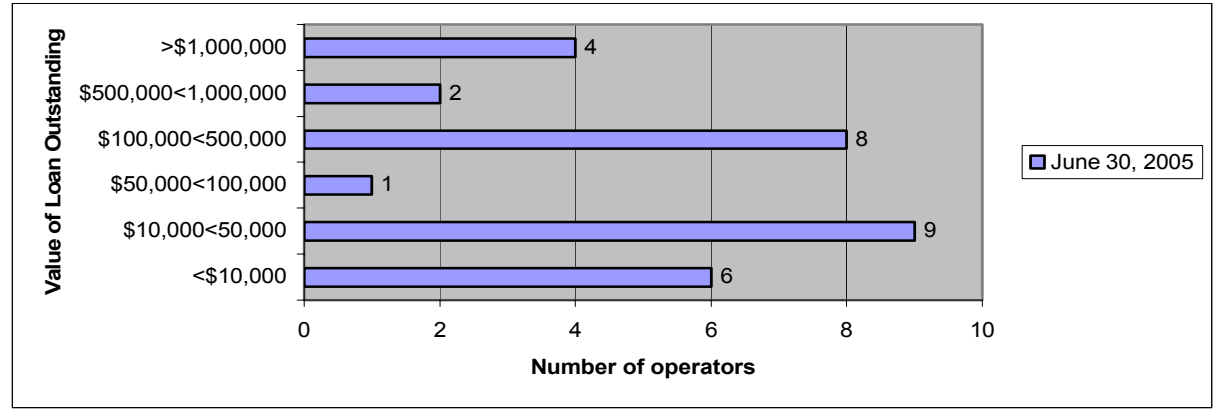
**Table 1: Geographic Distribution of Active Clients (Borrowers and Depositors) and Value of Loans Outstanding (Active Portfolio)<sup>7</sup>**

Area (specific urban provinces)	Active Borrowers 30.06.05	Active Savers 30.06.05	Active Portfolio (\$) 30.06.05
Maputo/Matola	34,164 (50.8%)	24,927 (39.1%)	9,555,700 (58%)
Maputo Province	3,478 (5.2%)	-	859,303 (5.2%)
Gaza	2,624 (3.9%)	-	266,519 (1.6%)
Inhambane	6,050 (9%)	6,000 (9.4%)	616,977 (3.7%)
Beira	3,554 (5.3%)	6,172 (9.7%)	1,750,000 (10.6%)
Sofala Province	129 (0.2%)	645 (1%)	5,160 (0.03%)
Chimoio	3,207 (4.8%)	1,873 (2.9%)	748,000 (4.5%)
Manica Province	924 (1.4%)	2,730 (4.3%)	53,760 (0.3%)
Tete	1,631 (2.4%)	-	238,000 (1.4%)
Zambezia	1,888 (2.8%)	6,050 (9.5%)	240,370 (1.5%)
Nampula City	1,433 (2.1%)	6,274 (9.8%)	548,000 (3.3%)
Nampula Province	2,684 (4%)	9,122 (14.3%)	441,720 (2.7%)
Cabo Delgado	5,246 (7.8%)	-	887,000 (5.4%)
Niassa	300 (0.4%)	-	200,000 (1.2%)
<b>TOTALS</b>	<b>67,312</b>	<b>63,793</b>	<b>\$16,410,509</b>

<sup>6</sup> For an analysis of the sector see: Mozambique Micro-Finance Facility, Fion de Vletter, June 2006

<sup>7</sup> Breakdowns by operators are provided in Annex 3

**Figure 1 . Size of Active Portfolio (June 30, 2005)**



9. As part of the Rural Development Strategy, a National Microfinance Strategy (NS) has been designed.<sup>8</sup> The NS puts emphasis on the importance of the Microfinance sector. However, the document does not include any clear action plan or clear activities, responsibilities, time frame, indicators and budget.

10. There have been positive evolutions in the legal framework through the approval of **Law 9/2004** and the accompanying **decree 57/2004** (replacing decree 47/98) both implemented in 2005 allowing four categories of Microfinance providers. For detailed overview (see annex7). Category A introduces the new category of “micro bank” which in turn is divided into 4 sub-categories (of which 3 are entitled to collect deposits from the public). Category B covers local savings and credit organizations, in particular credit cooperatives. Those entities registering as either category A or B are considered to be Microfinance institutions and therefore subject to prudential supervision (Microfinance prudential ratios are being

<sup>8</sup> Estrategia Nacional de Microfinancas.

finalized). Entities falling within categories C and D are defined as Microfinance operators and are required to register with the BM while being subject to monitoring. In 2005 the sub-category “Microfinance bank” with a required minimum capital of 25 billion MT vs. 70 billion MT for other commercial banks was abolished. This has led to the recent creation of three commercial banks dedicated to the provision of Microfinance (despite higher capital requirements), NovoBanco, SOCREMO and Banco de Oportunidades (BO). Commercial banks, micro banks and credit cooperatives are also obliged to provide information on their credit operations to the Central Credit Registry, previously known as the Risk Centre and accessed by all contributing institutions.

*11.* In 2005, 2 major programs were launched for the improvement of the sector being the Rural Finance Support Program (RFSP), funded by IFAD and AfDB, executed by FARE (“Fundo de Apoio à Reabilitação Económica” - FARE) for a total amount of USD **34.3 million**. The second program is the Financial Sector Technical Assistance Programme (FSTAP), a SWAP funded by International Development Association (IDA), SIDA, DfID, WB, AfDB and KfW for a total sum of USD **17.8 million** and implemented by the Ministry of Finance.

### **1.2.1 Financial Inclusion Key Constraints**

*12.* Despite the progress made, the financial sector is still very exclusive in Mozambique. As of June 2005, only about 100,000 families have access to financial services, 1.12% of the active population estimated at 8.9 million inhabitants. Access to finance is considered as a key bottleneck for Small and Medium Enterprises (SMEs) Development and local economy development.

*13.* The financial service providers are facing high transaction costs due mainly to the transportation, security and communication issues. In addition, the Financial Service Providers (FSPs) are facing Human Resource problems and offer limited innovative products. To an important degree, the FSPs target women with an average of 54% clients being female and some operators lending exclusively to woman according to the 2005 Mozambique Microfinance Facility (MMF) survey.

*14.* Based on some studies carried out on the sector and discussions with key players including the BM, MMF, the Government, the Financial Service Providers<sup>9</sup>, donors, project managers and consultants, the following major constraints were indicated to negatively impact the development of the sector:

- (i) National strategy: The Strategy should include a clear understanding of the concept of inclusive financial sector, roles and responsibilities of the different actors and an implementation plan.
- (ii) Legal and regulatory framework: putting in place an effective prudent supervision

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<sup>9</sup> A focus group discussion and individual meetings have been carried out with the FSPs.

- (iii) Operations:
  - a. The limited number of potentially sustainable FSPs and mainly concentrated in Maputo lead to a low coverage of the country. In fact, the turn over of the FSPs is high because of low sustainability of operations;
  - b. The products and services offered by the FSPs are not very diversified in order to meet the clients' needs;
  - c. Clients have difficulties in gaining access to markets, especially in rural areas
  - d. High transaction costs due mainly to limited infrastructure, low population concentration, poor communication infrastructure and high human resources costs;
  - e. Lack of suitably skilled people having an impact on capability to innovate and also to expand;
  - f. A limited capacity in the sector of the local supporting firms: market research, product design, business planning, accounting, management information system (MIS).
- (iv) Consultation: there are various groups comprising each of a specific category of actors: Donor group, Financial Service Providers Group, Government. Thus, a forum gathering all the actors ensuring exchange and a broad view on the sector as a whole is lacking.

### **1.2.2 Financial Inclusion Gap Analysis (See Annex 2)**

## **1.3 Links to National priorities, UNDAF, CPD and CPAP**

*15. PARPA/PRSP 2 (2006-2009):* Sustainable economic development is considered as ‘one of the necessary conditions leading to a poverty reduction in absolute poverty.<sup>10</sup> Thus, “the expansion of a strong, dynamic, competitive, and innovative private sector and development of a monetary and financial system that fulfills its function of energetically encouraging savings and channeling them into productive domestic investment” are considered as key means. PARPA 2 has among its objectives:<sup>11</sup>

- to strengthen the regulation and supervision of the financial system in order to minimize the risk of financial crises;
- to modernize and expand the financial system, by creating new instruments and expanding regional coverage, especially in the rural areas;

*16.* The development of the financial system is also stressed with the objective 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

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<sup>10</sup> PARPA II, para. 482

<sup>11</sup> PARPA II, para. 488

the productive sectors. Three of the four areas listed fall under this component: (i) regulation and supervision; (ii) modernization and expansion and (iii) national savings”.<sup>12</sup>

*17. **The National Plan (2005 – 2009)*** mentions the development of financial services as one of its key objectives. In that respect, it is planned to expand the services in rural areas, a better coverage of the country, the mobilization of national savings, the promotion of microcredit institutions focusing on Microfinance, the increase of the monetization of the economy and the appliance of best practices according to international standards.

*18. **Agenda 2025*** clearly indicates promotion of production, work culture, government as promoter of development, improved national companies, respect of contracts and agreements, ITC development and innovation.

*19. **UNDAF:*** The program will mainly support outcome 1.7: “Institutions responsible for the promotion of pro-poor and sustainable economic development strengthened through the two following outputs: 1.7.2 Community access to business and financial services, disaggregated by district, area, and beneficiaries (in particular women & other marginalized groups) increased.”

*20. **Country Programme Document 2007-2009 (CPD):*** Sustainable development (subsumed in Governance in the UNDAF) is considered as a priority in UNDP support to the country. The component will contribute to the outcome 5 of the CPD: More efficient use of available resources to promote equitable and sustainable development through the promotion of business and financial services for private sector.

*21. **Building Inclusive Financial Sectors for Development:*** The UN system has highlighted access to finance as an important element to achieve the MDGs. 2005 has been declared International Year of Microcredit (IYM). One of the outputs of the IYM was the Blue book on Building Inclusive Financial Sectors for Development<sup>13</sup> UNCDF and UNDP RBA have a major regional initiative called “Building Inclusive Financial Sectors in Africa (BIFSA).” aiming at facilitating and investing in enhancing sustainable access to financial services in Africa. The Dakar Conference held on June 2006 approved a Declaration that supports the process. UNCDF has supported many experiences in African countries in building inclusive financial sectors.

*22.* 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

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<sup>12</sup> PARPA II, paragraph 500; 501; 502

<sup>13</sup> [www.uncdf.org](http://www.uncdf.org)

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. In fact, CGAP has demonstrated that access to financial services will help achieve the MDGs<sup>14</sup>. When poor people have access to financial services; they can earn more, build their assets, and cushion themselves against external shocks. Poor households use Microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education”<sup>15</sup>.

## 2. Scope and Strategy

23. The overall strategy 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<sup>16</sup>) that enhances sustainable access to financial services for the vast majority of the population. The vision of inclusive finance<sup>17</sup> can be characterized by:

- (a) Access by all bankable households and enterprises to a full range of financial services at a reasonable cost, including savings, short and long-term credit, mortgages, insurance, pensions, payments, local money transfers, international remittances, leasing and factoring;
- (b) Soundness of institutions, which is maintained through performance monitoring by stakeholders and, where required, sound prudential regulation;

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<sup>14</sup> [www.cgap.org](http://www.cgap.org)

<sup>15</sup> G8 and CGAP endorsed 11 key principles of Micro-Finance: Key principle 2. [www.cgap.org/keyprinciples.html](http://www.cgap.org/keyprinciples.html)

<sup>16</sup> The strategy has been developed already but needs to be improved as it does not include either a clear definition of roles and responsibilities or an action plan of implementation. The NP and NSFI clearly set up the roles and responsibilities of each actor, an action plan with clear objectives, indicators and timeframe. The NS tackles the environment, the legal and regulatory framework, the industry and its supporting infrastructure and the implementation mechanism. The idea is to include incentives for SME and rural financing. One of the weaknesses of the current National Strategy Document is that it mixes up various concepts

<sup>17</sup> See Building Inclusive Financial Sectors FOR Development also known as the Blue Book (UNCDF and UNDESA) 2006.

- (c) Financial and institutional sustainability as a means of providing access to financial services over time;
- (d) Multiple providers of financial services, wherever feasible, to bring cost-effective alternatives to customers, including sound private, non-profit and public providers.

Our intervention will focus on key gaps to be filled as outlined in our gap analysis (see annex 2).

24. Given that the main challenge in the country remains access to finance in rural areas and different initiatives related to it (Rural Finance Support Program-RFSP) are ongoing, this will be the main focus of the document. Given the current Microfinance Strategy Document, UNDP and UNCDF will support a process of reviewing it together with RFSP, in order to better include rural finance and SMEs finance. This process will lead to a coherent strategy endorsed by all stakeholders, with a clear emphasis on rural areas. The project aims at establishing 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. This coordination body will have specific ToRs and will comprise representatives of all stakeholders: the Government, mainly the Ministry of Finance, the Ministry of Planning and Development, the Bank of Mozambique, the Financial Service Providers (Banks and other FSPs), the technical supporting firms or individuals, the donors and civil society (each stakeholder represented by one person). The Committee takes stock of available studies on the sector, updates and monitors the National Strategy, discusses legal and regulatory framework, supports coordination of technical assistance and discuss any issue that is raised for the development of the sector. The improved coordination will contribute to a more effective and efficient use of resources available for the sector. In line with the Paris Declaration, the designing and the implementation of a monitorable plan for the National Strategy and the establishment of a joint investment committee will help donor's harmonization effort as well as the improvement of a national ownership and aid effectiveness.

25. Secondly the project will 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. IFB, in partnership with International Capital Corporation (ICC), has designed a new curriculum for Microfinance that was launched in January 2007. Complementary to this training, the strategy will support translation of other materials on financial inclusion designed by CGAP, UNCDF, ILO or Microsave and Training of Trainers (ToTs). In order to ensure access to the trainings, cost sharing of the training costs for the FSPs is considered.

26. In addition, the program will 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<sup>18</sup>. Emphasis is given to the strengthening of national institutions, mainly the Banking Training Institute (IFB), University, Technical and Vocational Education Institutes and other private supporting firms. In order to create the critical mass, scholarships will be given to students (based on competitive bidding), to develop research on Microfinance related issues. Moreover it is expected that Microfinance will be part of the curriculum in the faculty of Economics at university.

27. Finally, access to financial services in rural areas will be promoted by supporting FSPs with expansion in rural areas by funding pilot based innovative products or methodologies. An investment committee will decide on the proposals sent by the FSPs. Funds will be attributed on a cost – sharing or co – financing basis. The idea is that the support of these pilot based initiatives could develop into the establishment of a competitive fund. This Fund would try to pool together the existing resources in the sector and will seek complementary with the Rural Finance Support Program (joint investment committee). The objective is to support FSPs to develop innovative products and/or service delivery to better tackle the needs of rural clients and to better support the local economic development. These innovations could include mobile banking, using new technologies and ICT and the designing of products to tackle the agricultural producers' needs like contract farming or specific insurance products to manage high risk areas (if affected with HIV/AIDS) These activities will also support local development programs funded and / or supported by UNCDF.

28. Given the ongoing discussions with FARE, IFAD, CIDA and KfW, a joint Investment Committee could be envisaged to review the proposals submitted by the FSPs.

### **3. Project Deliverables Outline**

29. UNDP Country Programme Action Plan (CPAP) specifies following 3 expected results/project outputs. Specific milestones on these deliverables are presented in part 5 in the **Results & Resources Framework**.

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<sup>18</sup> MEDA has developed during the MMF Project a large number of adapted training materials for Mozambican FSPs, most of it available in Portuguese. MEDA has been and is currently designing several toolkits for MicroSave Africa and India, for the SEEP Network, provides training to the SAM (MicroSave School of Applied MF in Kenya), at Boulder for several years. Being currently chair the Board of the SEEP Network, MEDA directly contributes and has access to worldwide expertise and MF training resources.

**1. A monitorable implementation plan for the National Strategy for Micro - finance adopted, being implemented through appropriate coordination mechanism.**

30. In order to achieve this output, the first deliverable will be the establishment of an appropriate coordination mechanism<sup>19</sup> for the sector. 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 quality of this deliverable can be followed up by the ToRs, minutes of meetings realized, and level of presence of different stakeholders during meetings and issues discussed/solved. As soon as the coordination mechanism is established its first task would be to update the MF strategy, including formulation of an implementation plan, its endorsement and its continuous monitoring. Another measure for quality is the number of different policy issues that is being discussed by this Board and resolutions emerging from the discussions.

31. The second deliverable comprised in this output will be the monitorable implementation plan for the strategy and corresponding timely monitoring reports on its implementation. The coordination mechanism will become an important tool for further dialogue on legal framework and other issue/campaigns related to the development of the sector.

**2. Microfinance Service Providers' training capacities developed and training opportunities effectively promoted.**

32. 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 training will be related to improvement of middle management and product development. The quality of this deliverable can be measured by the number of FSPs taking part to these trainings and number of persons trained and monitored. A successful deliverable will also enhance the number of new products, methodologies developed by the FSP (including micro assurance). Moreover the intervention aims at creating a critical

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<sup>19</sup> ToRs of this body will be elaborated in the beginning of the project This body will comprise of representatives of the key stakeholders: the government, the central bank, the MFIs and their network, the bankers association, the chamber of commerce, donors involved in the sector, technical service providers, customers association. It can be a working group which will be smaller than the big group that will endorse the proposals of the working group. Some indicators of the process should be added as well: number and quality of the participant, time to achieve the process, quality of the documents, endorsement by the key stakeholders, approval by the government, donor roundtable, implementation of the Action and monitoring and evaluation mechanism. At the beginning of the program, a baseline (survey) will be done against which progress will be measured.

mass that has a basic knowledge of Microfinance. This will be done by ensuring inclusion of MF in the curriculum of Economic degree in at least 2 universities. Scholarships will be provided to students as incentives to investigate on Microfinance issues and elaborate their thesis on different Microfinance related subjects. The quality of this deliverable can be measured by number of solicitants for copy of the thesis/publications... The quality of the critical mass that would have been created can be monitored by investigating whether the FSP experience the same level of difficulty in recruiting skilled persons. This can be done by a simple survey among FSPs. The training will also be improved by benefiting from Portuguese training materials designed in the UNCDF and UNDP Microfinance program in Guinea Bissau.

### **3. Innovative financial products and approaches (mainly for rural areas) supported.**

33. This output will directly contribute to the increase in the number of the population, mainly in rural areas having access to financial services. The deliverable will be the products and/or methodologies that are developed and financially supported (at least 3). The quality of these deliverables can be ensured by investigating the number of rural clients having gained access to the products and by the quality of the outstanding portfolio. A set of minimum performance indicators will be developed based on the participating MFIs' Proposals for the awards captured in a performance – based contract between UNDP, UNCDF and the MFIs. Failure to meet the performance indicators will result in suspension or curtailment of funding. During the final evaluation of the project a minor impact survey could be done for some beneficiaries of these new products.

#### **4. Results & Resources Framework**

<b>Intended Outcome as stated in the Country Programme Results and Resource Framework:</b> More efficient use of available resources to promote equitable and sustainable economic development.					
<b>Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets.</b> Increase of overall productivity, in the rural areas in particular, in a sustainable manner. Increase in number of MF clients accessing financial services, baseline for 2005 is 100.000					
Applicable MYFF Service Line: MYFF Goal 1, service line 1.3					
Project title and ID (ATLAS Award ID): / ATLAS Project ID 54860					
Intended Outputs (as outlined in CPD/CPAP)	Yearly Outputs targets			Indicative Activities (deliverables)	Responsible parties
	2007	2008	2009		
5.3.1 A monitorable implementation plan for the National Strategy for Microfinance adopted, being implemented through appropriate coordination mechanism.	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	Engage Country Resident Advisor Establish the Coordination board	DNPDR UNDP UNCDF
	NS and action plan elaborated and approved	Action plan being implemented and monitored	Action plan being implemented and monitored	Support development of NS	DNPDR UNDP UNCDF
	Donor round table realized		Sector Wide Approach being promoted		DNPDR
	1 national seminar on Financial Inclusion organized			Contribute to debate on MF, through organization of a national MF seminar, publications and thesis	DNPDR UNDP UNCDF
	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)		
Microfinance Service Provider's training capacities developed and training opportunities effectively promoted Microfinance Service Providers.	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	Courses promoted to FSP	DNPDR/ MF/BM/FSP/IG MF/..)
	2 FSP have adopted HIV/AIDS action plan	2 FSP have implemented HIV/AIDS action plan		Support provided to FSP to develop HIV/AIDS plans	DNPDR UNDP
	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		DNPDR UNDP UNCDF

**Intended Outcome as stated in the Country Programme Results and Resource Framework:**

More efficient use of available resources to promote equitable and sustainable economic development.

**Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets.**

Increase of overall productivity, in the rural areas in particular, in a sustainable manner.

Increase in number of MF clients accessing financial services, baseline for 2005 is 100.000

Applicable MYFF Service Line: MYFF Goal 1, service line 1.3

Project title and ID (ATLAS Award ID): / ATLAS Project ID 54860

Intended Outputs (as outlined in CPD/CPAP)	Yearly Outputs targets			Indicative Activities (deliverables)	Responsible parties
	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		Universities
	1 FSP has successfully made at least one partnership with a local HIV/AIDS organization	1 FSP has successfully made at least one partnership with a local HIV/AIDS organization	1 FSP has successfully made at least one partnership with a local HIV/AIDS organization		DNPDR UNDP
Innovative financial products and approaches (mainly for rural areas) supported and number of active clients increased.	Investment Committee established and first investment granted	Investments granted	Investments granted	Set up of a Joint Investment Committee Selection of pilot products/approaches and financial support	DNPDR UNDP UNCDF
	Contribute to a cumulative number of 125 000 active clients reached	1 New product/ approach developed and monitored  Contribute to a cumulative number of 150 000 active clients reached	2 New products developed and Monitored  Contribute to a cumulative number of 175 000 active clients reached	Monitoring of the investments granted	DNPDR UNDP UNCDF

**Intended Outcome as stated in the Country Programme Results and Resource Framework:**

More efficient use of available resources to promote equitable and sustainable economic development.

**Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets.**

Increase of overall productivity, in the rural areas in particular, in a sustainable manner.

Increase in number of MF clients accessing financial services, baseline for 2005 is 100.000

Applicable MYFF Service Line: MYFF Goal 1, service line 1.3

Project title and ID (ATLAS Award ID): / ATLAS Project ID 54860

Intended Outputs (as outlined in CPD/CPAP)	Yearly Outputs targets			Indicative Activities (deliverables)	Responsible parties
	2007	2008	2009		
5.1.4 Project management, support, monitoring and evaluation ensured	4 Quarterly reports produced (including key performance indicators +FACE), AWP 2008	4 Quarterly reports produced (including key performance indicators +FACE), AWP 2009	4 Quarterly reports produced (including key performance indicators +FACE),	Continuous monitoring	DNPDR/CRA UNDP UNCDF
			Completion report produced and final evaluation carried out	Conduct joint and country-led evaluation	GVT UNDP UNCDF

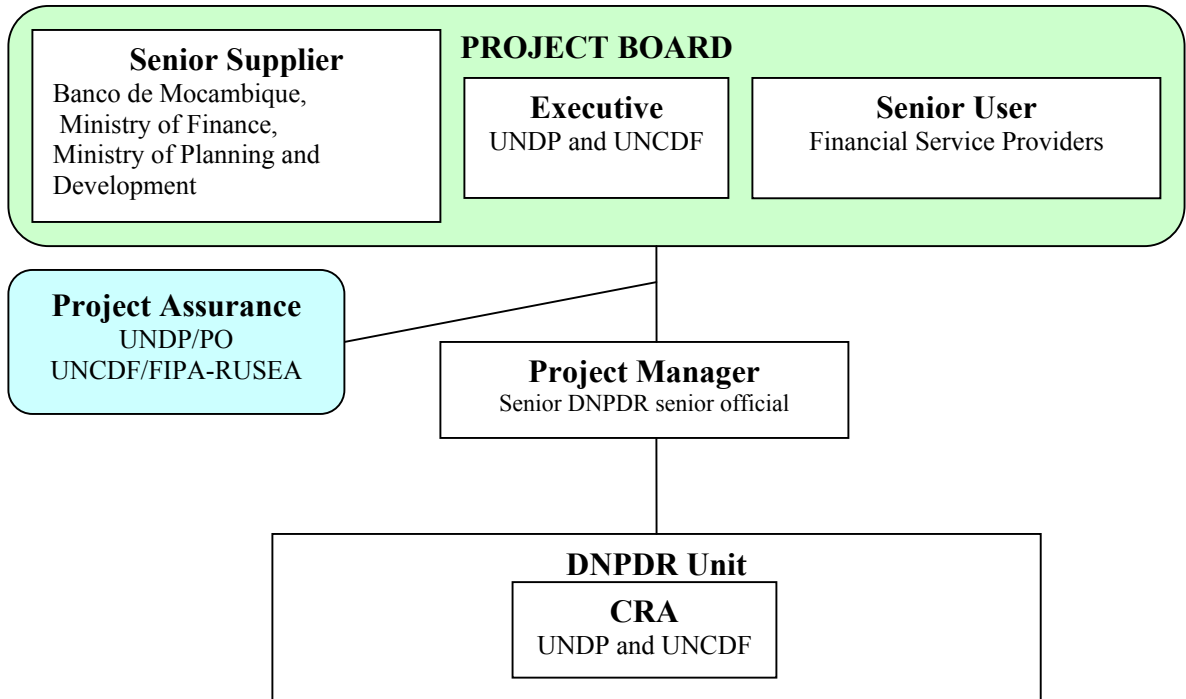
## 5. Management Arrangement

34. The management arrangement comprises the organizational structure and the Investment Committee

### 5.1 Organizational structure

35. Organizational management arrangements of the project are based on three entities and their interrelationships: Project Board, Project Manager, and Project Assurance role (see table 1: Project Structure) and the Investment Committee. In the following, the responsibilities and references of each of these entities are described in greater detail.

**Table 1**



36. **Project Board:** The Project Board is the group responsible for making executive management decisions for a project when guidance is required by the Project Manager, including approval of project revisions. The Project Board therefore is responsible for monitoring and directing the implementation of the project. This includes initiating the project; monitoring that the project outputs, including all project activities, are produced within time and budget; reviewing Quarterly Progress Reports as specified in section 6.0 of this document; providing ad-hoc direction of the project when required; and eventually closing the project.

The Project Board consists of five board members:

- o Ministério da Planificação e Desenvolvimento participara nas reuniões (Direcção Nacional para a Promoção do Desenvolvimento Rural - DNPDR) as Coordinator of the project,
- one member appointed by the UNDP Resident Representative acting as co - chairperson and co - board executive being the main partner of the project in the country
- one member of UNCDF, being jointly with UNDP the main technical adviser and funder of the project



- one member of the Bank of Mozambique (Central Bank) acting as co – chairperson and co – board executive, as its the central bank which is responsible for ensuring the conducive legal environment for the micro finance sector and for prudent supervision of Microfinance operators, it is very important to have the Central Bank of Mozambique on board.

- one member appointed by the Ministry of Finance as it is the Ministry of Finance that is responsible for the different funds that are scattered in Government. Taken into account that it is the objective of this Project to develop an inclusive financial system they need to be part of the board.

- a representative appointed by the Financial Service Providers, representing the users of the project. The Financial service providers have important inputs to provide in better understanding the needs, challenges and impediments are for the development of the sector.

The Board will only take decisions if a quorum of 4 members is reached.

The Project Board meets each six months, at the beginning of each semester. The session at the beginning of each year is specifically for consideration and approval of the Annual Work Plans as presented by the Project Manager. Both the Project Manager and the Project Assurance role attend the meetings of the Project Board unless decided differently by the Project Board. At any time in the project cycle, individual members of the Project Board, the Project Manager, or the Project Assurance role can request extraordinary board meetings when ad-hoc direction of the project is required. Also the group is consulted by the Project Manager for decisions when project tolerances (see point 5.2) have been exceeded.

**37. Project Manager:** The Project Manager is responsible for day-to-day management and decision-making for the project<sup>20</sup>. This includes ensuring that project outputs, including all project activities, are produced within time and budget; requesting ad-hoc directions from the Project Board when required; liaising with the Project Assurance role; requesting the advancement of project funds as specified in section 5.2 of this document; and preparing Quarterly Progress Reports as specified in section 6.0 of this document. Within the context of the project, the Project Manager refers to the Project Board. The Project Manager meets with the Project Board at the beginning of each year to present the Annual Work Plan and is expected to keep an open line of communication with the Project Assurance role and the Financial Services Providers Group. At any time in the project cycle, the Project Manager can request an extraordinary board meeting when ad-hoc direction of the project is required. The Implementing Partner, being DNPDR, appoints a Project Manager, who is a senior official of DNPDR. The Project Manager, in addition, receives technical support and advice from UNCDF Regional Technical Manager/RUSEA, and the Country Resident Advisor (CRA), contracted by UNDP and UNCDF. The CRA is to be located in the DNPDR Microfinance Unit (ToRs see Annex 4).

**38. Project Assurance:** The Project Assurance role is responsible for monitoring, on behalf of the Project Board, the day-to-day implementation of the project. This includes monitoring that project outputs, including all project activities, are produced within time and budget; providing ad-hoc assistance as requested by the Project Board; liaising with the Project Manager; ensuring the advancement of project funds as specified in section 5.2 of this document; and reviewing Quarterly Progress Reports as specified in section 6.0 of this document. The Project Assurance role is appointed by the UNDP Resident Representative and UNCDF FIPA Regional Unit for Southern and Eastern Africa. The Project Assurance role attends all meetings of the Project Board unless decided differently by the Project Board and is expected to keep an open line of communication with the Project Manager and the CRA. At any time in the project cycle, the Project Assurance role can request an extraordinary board meeting when ad-hoc direction of the project is required. A UNDP Program Officer with technical support from UNCDF typically holds the Project Assurance role. UNCDF through the CRA will provide technical support to the Project; in addition, the UNCDF Regional Unit for Southern and Eastern Africa will backstop the project.

## 5.2 The Investment Committee

39. An Investment Committee will be established to decide on the proposals submitted to the Project Fund. The Fund will encourage the participation of other donors or investors involved in supporting the sector. Each donor or investor investing at least 0.5 million USD in the sector will have voting rights. The CRA will act as the secretariat of the IC, by carrying out required due diligence, analyzing the proposals and presenting them

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<sup>20</sup> This does not include decisions on the proposals sent for financial support as these will be taken by the Investment Committee.

before the IC. Upon approval of the proposals, the CRA will draft the performance – based agreements that will be signed with the supported institutions. The Investment Committee members will be primarily comprise other investors in the Sector who have knowledge about and / or are potential investors in the financial inclusion sector. This should enable the Fund to make informed decisions about the highest potential investment opportunities. It will also allow investors/donors to coordinate their support to potential partners and streamline reporting requirements. The Investment Committee will also be a forum for donors and investors to get to better know each other's programs and operating principles. The Investment Committee will be responsible for:

- Vetting applications under the Fund
- Monitoring performance against performance based contracts.

The IC will have a simple but clear Manual of procedures including the selection criteria, the decision making process, the contracting, monitoring and reporting mechanism. The major criteria will include:

- Vision and leadership;
- Good trends towards operational and financial sustainability;
- Loan portfolio quality;
- Clientele – focused and willingness to reach out, including in rural areas through innovative solutions;
- Weaknesses identified and willingness to fix them in order to improve the performances.

40. The CRA will propose to the IC and to the Board the modalities to set up a Trust Fund in order to institutionalize the Fund. The process and the legal options to be validated will comply with the legal and regulatory framework of Mozambique. It will also take into account the procedures of UNDP, UNCDF and of any other donor or investor contributing to the Fund.

41. If an agreement is reached with other donors, mainly IFAD, ADB and RFSP, CIDA and KfW; a Joint Investment Committee will be set up and its functioning jointly defined.

### **5.3 Financial Arrangements**

42. The financial management arrangements of the project are based for UNDP resources on quarterly Funding Authorization and Certificate of Expenditure (FACE) forms, covering both the reporting on funds spent in the previous quarter as well as the advancement of funds for the implementation of project activities in the following quarter. At the end of each quarter, the Project Manager prepares the FACE form, which is annexed to the Quarterly Progress Report and submitted to UNDP in accordance with UNDP. Upon receipt of the FACE form, UNDP advances funds to a designated bank account for the implementation of project activities. This bank is accessible only to the Project Manager, with signature of both the Project Manager and the CRA, and only within the boundaries of this document, UNDP and UNCDF management regulations, and the Annual Work Plan as approved by the Project Board. The financial management of UNCDF resources while seeking harmonization and efficiency with UNDP management will comply with UNCDF procedures. The Implementing partner has the option to request direct payments from UNDP and UNCDF. In this case the implementing partners will submit a duly filled out request for direct payment form for each payment to be realized and UNDP and UNCDF is accountable for timely payment.

The project board in its first session will establish the tolerance level of exceeding different budget allocations.

43. UNDP and UNCDF hold the responsibility of disbursement of project funds in compliance with their own rules and procedures. In the case that other funders are committed to channel their fund within the BIFSMO mechanism, UNDP and UNCDF would a sign cost-sharing agreements (management fees will be split up between UNDP and UNCDF based on agencies relative contribution), on behalf of the Government of Mozambique, with all partners involved. The cost-sharing agreements are harmonized to the greatest extent possible in a view to minimize transaction costs and optimize efficiency in the implementation of the project. At the same time, however, the cost-sharing agreements should take into consideration the individual needs and priorities of all partners.

44. DNPDR is responsible for appropriate use of the financial resources made available.

45. Any assets that are acquired during implementation of the project will remain property of UNDP/UNCDF and its final destination will be decided upon in due course at the end of the Project.

## 6. Monitoring & Evaluation

46. The monitoring and evaluation of the project is based on the Monitoring and Evaluation plan within the Annual Work Plan, which is followed up by dialogue and regular meetings between the Project Manager, the CRA and the Project Assurance role; Quarterly Progress Reports, including the FACE forms, as prepared by the Project Manager; annual meetings between the Project Board and the Project Manager; and a final project evaluations and seminars. At the end of each quarter, the Project Manager prepares the Narrative Quarterly Progress Report, including the FACE form, and submits it to the Project Assurance role that reviews the report and circulates it to all Project Board members. Based on the Quarterly Progress Report, individual Project Board members, the Project Manager, or the Project Assurance role can request extraordinary Project Board meetings when ad-hoc direction of the project is required.

47. A schedule of reporting requirement by the Project Manager and the CRA is provided below. Targets will be captured in the contract between the CRA and UNDP and UNCDF for implementing the Project. The reports are set according to minimum international standards of best practice. All reports are to be distributed to UNCDF and UNDP.

48. Financial Service Providers (FSPs) and training institutions providers receiving assistance under this project will submit quarterly progress reports on performance against standard indicators and targets as set in the Grant Agreements<sup>21</sup>. In addition, FSPs will post their data on the MIX Market<sup>22</sup> facilitating international exposure, and FSPs will consent to the MIX Market forwarding their data to the Micro Banking Bulletin (MBB) for global and regional benchmarking.

49. The project Secretariat (**DNPDR Unit**) will compile the quarterly reports received into a consolidated semi-annual report for the Investment Committee and the Project Board. This report will include information on: 1) Investments made; 2) Results achieved by FSPs based on standard performance and financial indicators; 3) Constraints and opportunities for further developing the sector; 4) Policy changes needed to remove the constraints or seize opportunities. Reports will be posted on UNCDF Microfinance Unit's website with links to other programme partners upon request.

<b>Title of Report</b>	<b>Due Date</b>	<b>Responsible</b>
Work Plan	At the beginning of project and annually	DNPDR
Annual Progress Report	Annually	DNPDR
Quarterly progress report including Key Performance Indicators + FACE forms	Quarterly (based on Monitoring and Evaluation plan)	DNPDR
Financial Statements: Balance Sheets, Income Statements	Annual statements. (according to the calendar year)	DNPDR
Completion Report and final evaluation	End of Year 3	DNPDR

<sup>21</sup> The template provided by UNCDF will form the basis for the standard reporting requirements and format to be adopted by the Investment Committee, as it includes the standard financial ratios and gender-disaggregated data recommended by CGAP.

<sup>22</sup> <http://www.themix.org/en/index.html>. UNCDF will establish a UNCDF/UNDP dash-board under the MIX market to facilitate the entry of new and less experienced FSPs to the MIX.

50. The programme is subject to an independent final evaluation, managed by the UNCDF Evaluation Unit. The evaluation is in compliance with the UNCDF mandatory evaluation requirements in the UNDP Evaluation Policy<sup>23</sup>, to which UNCDF is party. Funding for the evaluation is included in the program's budget. The evaluation will assess the project overall performance, the outputs and outcomes produced against its initial targets, the impact it has brought or would likely to bring about with a focus on the progress toward sustainability of the FSPs, its relevance to the national context, and management efficiency. The evaluation will be forward looking offering lessons learned and recommendations to improve program performance or national policy. The results of these country level evaluations feed into strategic, thematic and outcome evaluations carried out by UNCDF and UNDP.

51. Success in carrying out development evaluation requires partnerships in evaluation with national and international actors. In the context of wider efforts to improve the efficiency and added value of the UN's development operations, opportunities for collaboration on evaluations with UNDP and other development partners are now actively sought. Opportunities will be sought for collaboration with program partners in conducting the evaluations.

## **7. Challenges and risks and means to mitigate them**

52. The program faces some key challenges and risks at political, institutional and operational levels.

53. Political level: The Government, through various funds, is a financial operator. In many cases, the management of the funds doesn't follow good practices in microfinance and or banking. Thus these interventions could distort the financial markets and the sustainability of the other FSPs. The BM has an important role to play in an inclusive financial sector. However, the Central Bank may pay little attention to the microfinance given the importance of the banking sector.

Institutional level: the various groups may have little commitment to set up a National Committee on Financial Inclusion in order to keep doing business as usual and maintain their current groups (donors, FSPs...) without any substantive dialog among them. The stakeholders could consider the reviewing of the National Strategy as another consultative process without any clear implementing activity.

54. Operational level: There are many programs involved in the sector with many resources. However, there is no coherent strategy to create a clear synergy, accountability and transparency. In addition, the implementation of some programs has been delayed.

55. The sector is facing high turn – over of the providers and high drop – out rates. In addition, the FSPs may keep considering the rural areas as very risky and with high transaction costs. There is no clear understanding of the concept of rural finance and microfinance. In the same document, microfinance could be included either under rural development or under financial system. Many economic documents do not include clear indicators and the roles and responsibilities of different governmental bodies need to be clarified and better implemented.

56. An important risk will also be the insufficient resource mobilization. In that case, it could impact the results to be achieved. The increase of the active clients to be reached could be the half of what is initially expected.

In addition, if an agreement is not reached to set up a joint investment committee; it could affect the Project leverage effect

57. The risks and challenges could be mitigated by:

- clearly explaining the process of national strategy and its benefits as an investment framework for the development of the sector;
- having a good facilitator with high level of experience for the National Strategy process;

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<sup>23</sup> See: <http://www.undp.org/eo/documents/Evaluation-Policy.pdf>

- clarifying in the NS roles and responsibilities of various actors;
- having a clear action plan and budget and time frame;
- investing in the sector while the process of designing the NS is ongoing.
- fully associating the stakeholders in the designing of the current project and taking into account their views;
- the interest shown by various donors in the importance of setting a joint investment committee, our current partnership with KfW, CIDA and IFAD in other countries may be an opportunity to reach an agreement;
- CIDA will examine in 2007 its new strategy in microfinance; this could lead to their contribution to the Project, either in co – financing or in parallel funding.

## **8. Legal**

58. This project shall be the instrument referred to as such in Article I of the Standard Basic Agreement between the Government of Mozambique and the United Nations Development Programme (UNDP), signed by the parties on 15 September 1976. The Government implementing agency shall for the purposes of this Standard Basic Agreement, refer to the Government Cooperating Agency described in the Agreement.

59. As in all agreements between the Government of Mozambique and UNDP, the project document referred to in the Standard Basic Agreement shall be the main instrument governing the conduct and performance of the contractors and agents.

60. The following type of revisions may be made to this project document with the signature of the UNDP Resident Representative only, provided he or she is assured that the other parties involved in the project have no objection to the proposed changes:

- Revisions in, or addition of, any of the annexes of the project document;
- Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation;
- Mandatory annual revisions which rephase the delivery of agreed project inputs, or reflected increased expert or other costs due to inflation, or take into account agency expenditure flexibility; and
- Semi-final and final budget revisions based on Combined Delivery Reports (CDRs) signed by the project manager

<b>Annex 1a: BIFSMO Total Budget in US Dollars</b>								
	Budget Description	Budget Account	Fund	Donor	TOTAL	YEAR1	YEAR2	YEAR3
<b>ACTIVITY 1- POLICY &amp; ADVOCACY</b>								
<b>Support to the Action Plan of the National Strategy</b>								
1.1 Organization of Seminar	Contracts company	- 721	4000	UNDP	22,000	22,000		
1.2 Ad Hoc support to formulation of action plan	Contracts-individuals	714	4000	UNDP	26,000	26,000		
1.3 Administrative costs of the board	Miscellaneous	745	4000	UNDP	31,000	11,000	20,000	
1.4 UNCDF support	Travel and DSA	716	4000	UNDP	30,000	10,000	10,000	10,000
1.5 Publication of articles on MF	Local consultants	713	4000	UNDP	27,000	7,000	10,000	10,000
1.6 Support to thesis on MF	Contract-individuals	714	4000	UNDP	57,000	7,000	20,000	30,000
<i>Subtotal Support to the Action Plan</i>					<i>193,000</i>	<i>83,000</i>	<i>60,000</i>	<i>50,000</i>
1.7 International Expert	ALD	711	G1310	UNCDF	196,728	52,500	71,400	72,828
1.8 Equipment	Materials& Goods	723	G1310	UNCDF	5,000	5,000	0	0
<i>Subtotal Experts</i>					<i>201,728</i>	<i>57,500</i>	<i>71,400</i>	<i>72,828</i>
<b>Sub-total Policy &amp; Advocacy/Macro level</b>					<b>394,728</b>	<b>140,500</b>	<b>131,400</b>	<b>122,828</b>
<b>ACTIVITY 2 - SUPPORT INFRASTRUCTURE</b>								
<b>Support to the Training capacities</b>								
2.1 Launch new modules	Contract Services Comp	721	4000	UNDP	38,000	18,000	0	20,000
2.2 Cost share in training	Grants	726	4000	UNDP	94,000	34,000	30,000	30,000
2.3 HIV/AIDS training	Contract Services Comp	721	4000	UNDP	85,000	85,000	0	0
2.4 Universities	Contract-individuals	714	4000	UNDP	60,000	0	10,000	50,000
<i>Subtotal Support to the Training facilities</i>					<i>277,000</i>	<i>137,000</i>	<i>40,000</i>	<i>100,000</i>
International Expert	ALD	711	G1310	UNCDF	78,691	21,000	28,560	29,131
<i>Sub Total Experts</i>					<i>78,691</i>	<i>21,000</i>	<i>28,560</i>	<i>29,131</i>
<b>Sub Total Support Infrastructure/Meso level</b>					<b>355,691</b>	<b>158,000</b>	<b>68,560</b>	<b>129,131</b>
<b>ACTIVITY 3 - RETAIL CAPACITY</b>								
<b>Innovations &amp; Outreach Facility</b>								
3.2 Contribution to the Fund Grants	Micro capital Grants			UNDP	300,000	0	190,000	110,000
3.3 Contribution to the Fund	Micro capital Grants			UNCDF	650,000	250,000	250,000	150,000
3.4 Contribution to the Fund Grants	Micro cap/Grants			Other	1,000,000	0	500,000	500,000
<i>Sub Total Fund</i>					<i>1,950,000</i>	<i>250,000</i>	<i>940,000</i>	<i>760,000</i>
International Expert	ALD	711			118,037	31,500	42,840	43,697
<i>Sub Total Experts</i>					<i>118,037</i>	<i>31,500</i>	<i>42,840</i>	<i>43,697</i>
<b>Sub Total Retail Capacity/Micro level</b>					<b>2,068,037</b>	<b>281,500</b>	<b>982,840</b>	<b>803,697</b>
<b>ACTIVITY 4 – OTHERS</b>								
Sector Survey	Contractual Services.Comp.	721	G1310	UNCDF	200,000	200,000	0	0
Evaluation Mission	Contractual Services.Comp.	721		UNCDF UNDP	60,000	0	0	60,000
<i>SubTotal Mission &amp; Eval.</i>					<i>260,000</i>	<i>200,000</i>	<i>0</i>	<i>60,000</i>
<b>Sub Total Others</b>					<b>260,000</b>	<b>200,000</b>	<b>0</b>	<b>60,000</b>
<b>Total without support costs and contingencies</b>					<b>3,078,456</b>	<b>780,000</b>	<b>1,182,800</b>	<b>1,115,656</b>
Contingencies					0	0	0	0
Support costs					63,923	63,923	0	0
<b>TOTAL</b>					<b>3,142,379</b>	<b>843,923</b>	<b>1,182,800</b>	<b>1,115,656</b>

<b>Annex 1b: BIFSMO UNCDF Contribution to the Budget in US Dollars</b>								
					TOTAL	YEAR1	YEAR2	YEAR3
	Budget Description	Budget Account	Fund	Donor				
<b>ACTIVITY 1- POLICY &amp; ADVOCACY</b>								
<b>Support to the Action Plan of the National Strategy</b>								
1.7 International Expert	ALD	711	G1310	UNCDF	196,728	52,500	71,400	72,828
1.8 Equipment	Materials& Goods	723	G1310	UNCDF	5,000	5,000	0	0
<b>Subtotal Experts</b>					<b>201,728</b>	<b>57,500</b>	<b>71,400</b>	<b>72,828</b>
<b>Sub-total Policy &amp; Advocacy/Macro level</b>					<b>201,728</b>	<b>57,500</b>	<b>71,400</b>	<b>72,828</b>
<b>ACTIVITY 2 - SUPPORT INFRASTRUCTURE</b>								
<b>Support to the Training capacities</b>								
International Expert	ALD	711	G1310	UNCDF	78,691	21,000	28,560	29,131
<b>Sub Total Support Infrastructure/Meso level</b>					<b>78,691</b>	<b>21,000</b>	<b>28,560</b>	<b>29,131</b>
<b>ACTIVITY 3 - RETAIL CAPACITY</b>								
<b>Innovations &amp; Outreach Facility</b>								
3.3 Contribution to the Fund	Micro capital Grants			UNCDF	650,000	250,000	250,000	150,000
International Expert	ALD	711			118,037	31,500	42,840	43,697
<b>Sub Total Retail Capacity/Micro level</b>					<b>768,037</b>	<b>281,500</b>	<b>292,840</b>	<b>193,697</b>
<b>ACTIVITY 4 – OTHERS</b>								
Sector Survey	Contractual Services.Comp.	721	G1310	UNCDF	200,000	200,000	0	0
Evaluation Mission	Contractual Services.Comp.	721		UNCDF	30,000	0	0	30,000
<b>SubTotal Mission &amp; Eval.</b>					<b>230,000</b>	<b>200,000</b>	<b>0</b>	<b>30,000</b>
<b>Sub Total Others</b>					<b>230,000</b>	<b>200,000</b>	<b>0</b>	<b>30,000</b>
<b>Total without support costs and contingencies</b>					<b>1,278,456</b>	<b>560,000</b>	<b>392,800</b>	<b>325,656</b>
Contingencies					0	0	0	0
Support costs					63,923	63,923	0	0
<b>TOTAL</b>					<b>1,342,379</b>	<b>623,923</b>	<b>392,800</b>	<b>325,656</b>

<b>Annex 1c: BIFSMO UNDP Contribution to the Budget in US Dollars</b>								
					TOTAL	YEAR1	YEAR2	YEAR3
	Budget Description	Budget Account	Fund	Donor				
<b>ACTIVITY 1- POLICY &amp; ADVOCACY</b>								
<b>Support to the Action Plan of the National Strategy</b>								
1.1 Organization of Seminar	Contracts company	- 721	4000	UNDP	22,000	22,000		
1.2 Ad Hoc support to formulation of action plan	Contracts-individuals	714	4000	UNDP	26,000	26,000		
1.3 Administrative costs of the board	Miscellaneous	745	4000	UNDP	31,000	11,000	20,000	
1.4 UNCDF support	Travel and DSA	716	4000	UNDP	30,000	10,000	10,000	10,000
1.5 Publication of articles on MF	Local consultants	713	4000	UNDP	27,000	7,000	10,000	10,000
1.6 Support to thesis on MF	Contract-individuals	714	4000	UNDP	57,000	7,000	20,000	30,000
<b>Sub-total Policy &amp; Advocacy/Macro level</b>					<b>193,000</b>	<b>83,000</b>	<b>60,000</b>	<b>50,000</b>
<b>ACTIVITY 2 - SUPPORT INFRASTRUCTURE</b>								
<b>Support to the Training capacities</b>								
2.1 Launch new modules	Contract Services Comp	721	4000	UNDP	38,000	18,000	0	20,000
2.2 Cost share in training	Grants	726	4000	UNDP	94,000	34,000	30,000	30,000
2.3 HIV/AIDS training	Contract Services Comp	721	4000	UNDP	85,000	85,000	0	0
2.4 Universities	Contract-individuals	714	4000	UNDP	60,000	0	10,000	50,000
<b>Sub Total Support Infrastructure/Meso level</b>					<b>277,000</b>	<b>137,000</b>	<b>40,000</b>	<b>100,000</b>
<b>ACTIVITY 3 - RETAIL CAPACITY</b>								
<b>Innovations &amp; Outreach Facility</b>								
3.2 Contribution to the Fund Grants	Micro capital Grants			UNDP	300,000	0	190,000	110,000
<b>Sub Total Retail Capacity/Micro level</b>					<b>300,000</b>	<b>0</b>	<b>190,000</b>	<b>110,000</b>
<b>ACTIVITY 4 – OTHERS</b>								
Evaluation Mission	Contractual Services.Comp.	721		UNDP	30,000	0	0	30,000
<b>Sub Total Others</b>					<b>30,000</b>	<b>0</b>	<b>0</b>	<b>30,000</b>
<b>TOTAL</b>					<b>800,000</b>	<b>220,000</b>	<b>290,000</b>	<b>290,000</b>



**Annex 1 d: BIFSMO Budget Amount to Mobilised in USD.**

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**Annex 1 e: Annual Workplan (Portuguese as approved; subject to changes; see the new budget)**

**PLANO ANUAL DE ACTIVIDADES 2007**

**MICROFINANÇAS – CONSTRUIR SECTOR DE FINANÇAS INCLUSIVO**

País: Moçambique

**Resultado(s) do Quadro de Trabalho do Desenvolvimento das Nações Unidas :**

1.3 Fortalecidas as capacidades de gestão, harmonização e alinhamento das políticas a nível nacional e local.

1.7 Fortalecidas as Instituições responsáveis pela promoção do desenvolvimento económico sustentável e a favor dos pobres.

**Resultado(s) previsto(s) do Programa do País :**

5.3 Aumentada a capacidade do sector de serviços financeiros para providenciar serviços financeiros comerciais aos produtores e consumidores de baixa-renda.

**Produto(s) previsto(s) do Programa do País :**

4. Adoptado um plano de implementação monitorável para a Estratégia Nacional de Micro-finanças e criados os mecanismos adequados de coordenação..
5. Criadas as capacidades de provedores de serviços de formação de Micro-finanças e promovidas efectivamente as oportunidades de formação.
6. Apoiados os produtos financeiros e métodos inovadores (principalmente para as zonas rurais)

**Parceiros de implementação:** Ministério da Planificação e Desenvolvimento (MPD),

**Outros Parceiros:** PAFR, Instituto de Formação Bancária, GAPI, Associação de MF, MEDA, KfW

O programa do PNUD e FDCNU focalizar-se-ão em aspectos estratégicos de criação de capacidades de forma que a indústria possa resposta à demanda. Uma estratégia nacional para o desenvolvimento de Micro-finanças foi recentemente desenvolvida e o programa desenvolver um plano de acção claro e monitorável para operacionalizar esta estratégia. Parte deste trabalho envolverá a procura do melhor de mecanismos de diálogo e de coordenação - uma área que requer atenção dado o aumento em número e tipo de actores no sector nos últimos anos. Uma segunda área de trabalho envolverá o melhoramento de capacidades de formação das Micro-finanças. Finalmente, esforços serão para o apoio ao desenvolvimento de um número limitado de modelos/produtos de serviços financeiros viáveis, que permitirão às famílias obter empréstimos e gerir poupanças.

**Aprovado (Ministério da Planificação e Desenvolvimento):**

\_\_\_\_\_  
 Aiuba Cuereneia, Ministro de Planificação e Desenvolvimento      Data

**Aprovado (Fundos e Programas das Nações Unidas, PNUD e FDCNU) :**

\_\_\_\_\_  
 Ndolamb Ngokwey, Representante Residente      Data

Período do Programa :	2007	Orçamento anual previsto : \$	460.000 USD
Componente do Programa :	Comércio e Parcerias com o Sector Privado	Recursos atribuídos :	
Intervenção:	Construir um sector financeiro inclusivo	• PNUD	220.000
Código orçamental	00046182	• FDCNU	220.000
Duração :	12 meses	• Governo	20.000
		○ Doador	_____
		○ Doador	_____

PRODUTOS PREVISTOS DO CP	ACTIVIDADES PLANEADAS	CRONOGRAMA				PARTE RESPONSÁVEL	ORÇAMENTO PREPARADO			
		2007	2008	2009	2010		Origem dos fundos	Descrição do Orçamento	Montante em USD	
<p>5.3.1. Um plano de implementação monitorável para a Estratégia Nacional das Micro-Finanças sendo implementado e monitorado através de um mecanismo adequado de coordenação (<i>Board</i>)</p> <p><b>Indicadores</b></p> <ul style="list-style-type: none"> <li>Plano de Implementação da Estratégia Nacional de Micro-Finanças implementado e monitorado</li> <li>Mecanismo de coordenação com elevado nível de participação de actores principais.</li> </ul>	<p>5.3.1.1 Apoio institucional a DNPDR na área de MF - contratação de um perito (CTA). Não somente para a DNPDR o Grupo Técnico de Trabalho incluindo todos os intervenientes chaves do sector.)</p>	X	X	X	X	MDP (DNPDR)	FDCNU	Salário computador	70.000	
							MPD	aluguer	10.000	
	<p>5.3.1.2 Apoio técnico nas áreas específicas (formulação de plano de implementação, apoio ad hoc,...)</p>	X		X			MDP (DNPDR)	PNUD	Contrato (internacional), DSA, Viagem	27.000
	<p>5.3.1.3 Elaboração dos Termos de Referencia para o Board de coordenação (DNPDR/ MF/BdM/IMFs/doadores)</p>	X					MDP (DNPDR)	PNUD	Seminário	1.000
	<p>5.3.1.4 Funcionamento do Secretariado de Board</p>		X	X	X	MDP (DNPDR)	PNUD	Custos operacionais	5.000	

	5.3.1.5 Desenvolvimento da proposta do plano de implementação da Estratégia de MFs			X	X	MDP (DNPDR)	PNUD	Custos operacionais	5.000
	5.3.1.6 Organização de conferência nacional sobre MFs; lançamento do Board de coordenação			X		MDP (DNPDR)	PNUD	Seminário/ Conferencia	15.000
	5.3.1.7 Apoio Técnico / FDCNU monitoria (Missões de 3 a 5 dias)	X	X	X	X	FDCNU/PNUD	PNUD	Viagem	10.000
	5.3.1.8 Cursos sobre a importância/promoção de Micro Finanças nas províncias			X	X	MDP (DNPDR) / FDCNU,PNUD	PNUD	Viagem Cursos	7.000
	5.3.1.91 Publicação de 2 artigos, 1 folheto sobre MFs no país					MDP (DNPDR) / FDCNU,PNUD	PNUD	Publicação, assistência técnica	7.000
	5.3.1.10 5 Estudos feitos (Teses) sobre boas praticas na área de MF no país através de parceria com a universidade		x	x		MDP (DNPDR) / FDCNU,PNUD  Universidade	PNUD	Publicação, bolsas	6.000
	5.3.1.11 MF incluído no Curriculum da Universidade Eduardo Mondlane (Faculdade de Economia)	X	X	X	X	MDP (DNPDR) / FDCNU,PNUD  Universidade	MPD	Material didáctico	10.000
<b>Total</b>									<b>173.000</b>
5.3.2. Criadas as capacidades de institutos de formação para cursos de microfinanças e promovidas efectivamente as oportunidades de formação. <b>Indicadores</b> • Apoiado 5 graduados por ano pelas instituições de formação. • Apoiado 3 organizações que providenciam serviços MFs e que usam as instituições de formação.	5.3.2.1 Fazer uma análise das necessidades de formação das diferentes provedores de serviços financeiros				X	DNPDR /PNUD	PNUD	contrato	2.000
	5.3.2.2 Certificação de x pessoas de diferentes Institutos de formação nos cursos relacionados a Gestão (ILO)		X	X		DNPDR,  IFB (GAPI e ICC)	PNUD	contratos/ (AT)	2.000

	5.3.2.3 Organização de primeira formação do ILO		X	X		DNPDR IFB (GAPI e ICC)	ILO PNUD FDCNU	contratos/ Assistência técnica	9.000
	5.3.2.4 Apoiar as IMFs para poder participar nos cursos				X	DNPDR, (IFB, GAPI e ICC)	PNUD FDCNU	contratos/ (AT)	34.000
	5.3.2.5 Desenvolver estratégia de mitigação/ planos de acção para X provedores de serviços financeiros no âmbito de HIV/SIDA					DNPDR	PNUD Outro	contrato	85.000
	5.3.2.6 Dar seguimento às pessoas formadas no âmbito do curso de gestão					DNPDR, (IFB, GAPI e ICC)	PNUD/FDCNU	contratos/ Assistência técnica	5.000
<b>Total</b>									<b>137.000</b>
5.3.3. Produtos financeiros e métodos inovadores (principalmente para as zonas rurais) apoiados <b>Indicadores</b> Apoiado 2 novos produtos/abordagens inovadores. Resultados destes apreciados e disseminados. <ul style="list-style-type: none"> <li>40.000 clientes beneficiários dos novos serviços;</li> <li>Qualidade da carteira dos investimentos;</li> <li>Indicadores de sustentabilidade dos investimentos</li> </ul>	5.3.3.1 Estabelecimento do comité de investimento que desenvolverá os critérios de selecção de investimento de produto/metodologia inovadora			X		DNPDR,PNUD,FDCNU	FDCNU	miscelâneas	1.000
	5.3.3.2 Identificar e avaliar as propostas para o investimento			X	X	DNPDR /PNUD,FDCNU	FDCNU	Publicação	4.000
	5.3.3.3 Seleccionar a iniciativa inovadora para o investimento				X		DNPDR /PNUD,FDCNU	FDCNU	viagens

	5.3.3.4Elaborar e assinar contrato para implementação de prémio de produto/metodologia inovadora na base de participação de custos				X	DNPDR /PNUD,sFDCNU	FDCNU	Contrato	143.000
	Total								<b>150.000</b>
<b>General Total</b>									<b>460.000</b>
Custos do Apoio (FDCNU Fundos) 5%									
Governo									20.000
TOTAL ORÇAMENTO (RR)									220.000
TOTAL ORÇAMENTO (OR)									220.000

## Annex 2: Microfinance Sector Gap Analysis

### Annex 3 Overview of some indicators of evolution in the Microfinance sector in

Constraints	Needs	Current Support	Gaps	UNCDF and UNDP Support
- New law (9/2004) and decree (57/2004) but insufficient capacity to enforce the Law	- strengthen the Banco do Mozambique (Central Bank) to supervise	- KfW, WB and ADB through the FSTAP Project (funded by AfDB, WB, DfID, KfW And SIDA		
- National MF Strategy designed but without clear action plan, clear activities, responsibilities, timeframe, indicators and budget; - Fragmented consultative system: many groups without interlink: Donors; government practitioners.	- Technical support to revisit and operationalize and implement an Action Plan for Financial Inclusion;	- Support of AfDB and IFAD (RFSP) to DNPDR to design a Rural Finance Policy	- Support to build an Action Plan of Inclusive Finance putting emphasis on rural finance	- Output nr. 1 of the current Project
- no Microfinance Network  - See Micro: Limited capability to innovate and to manage (middle – management) in order to expand; - limited capacity of the local supporting firms: market research, product design, business planning, accounting, MIS	- Support to set up a Microfinance Network; - Support to the Training Facilities;	- GTZ  - Partly FSTAP for the banking sector	- Training and Training Materials for the MFIs (Middle management and innovations)	- Output 2 of the current Project to support designing training materials and FSPs to have access to training facilities.
- Emerging sector with low penetration rate mainly in rural areas; - Sector highly geographically and institutionally concentrated; - access to finance as a key bottleneck for MSMEs; - Limited HR capability to design innovative products; - products and services offered are not diversified	- innovations to meet the Market needs and to bring down the transaction costs - innovations to expand in rural areas; - grants and loan capital to innovate and expand in rural areas in an emerging sector;	- KfW and ADB and IFAD (RFSP): Innovations and Outreach Facility	- Specific innovations dedicated to rural areas; - efficient joint investment committee to better allocate the existing resources and efficiently support the expansion in rural areas	- Output 3: Innovations facility to expand in rural areas; - Investment Committee opened to other donors to have a Joint Investment Committee

## Mozambique

Figure 1. Average loan size

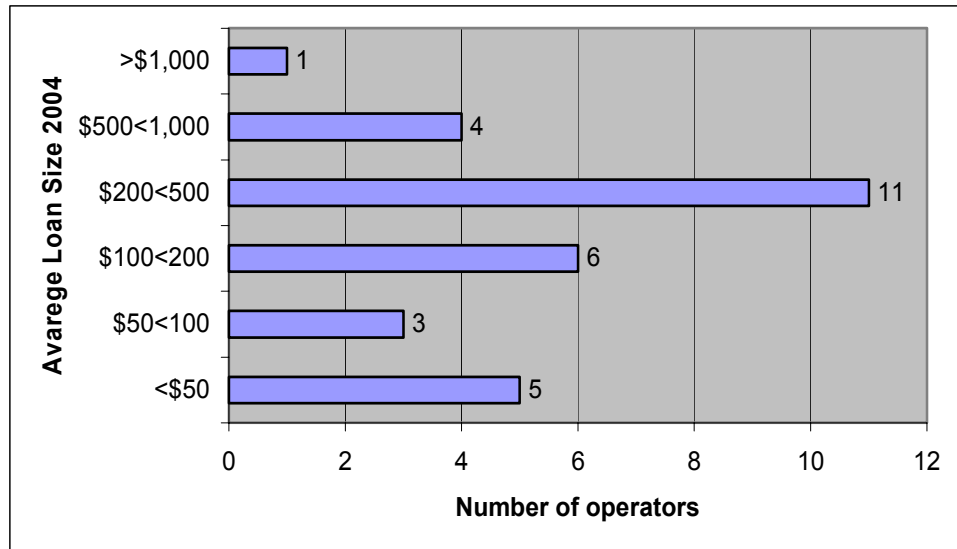
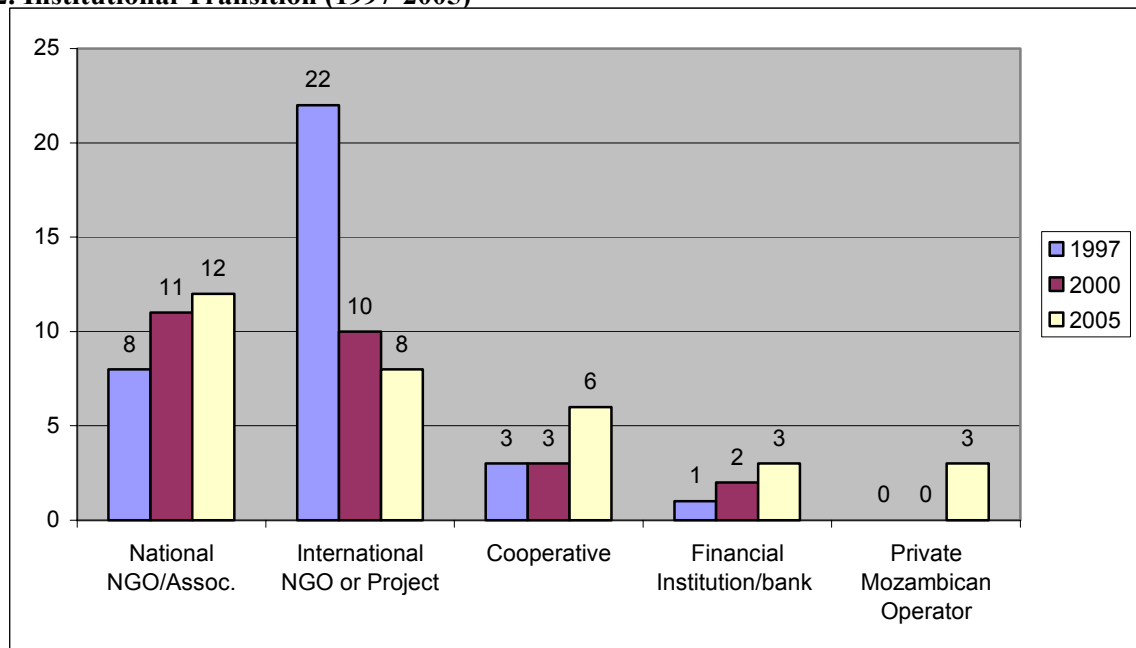


Figure 2. Institutional Transition (1997-2005)





## **Annex 4: Terms of Reference for Country Resident Advisor (CRA)**

### **I. Organizational Context**

The United Nations Development programme (UNDP) and United Nations Capital Development Fund (UNCDF) developed a partnership to implement the programme "Building Inclusive Financial Sectors" in Mozambique. The project will focus on an improved environment for Micro-finance in order to allow the supply of financial services to grow in reply to the demand. A national strategy for Microfinance was recently developed by the National Directorate for Promotion of Rural Development (DNPDR) and the project will support the development of a clear and monitorable action plan to operationalise the strategy. Another part of the project is dedicated to the improvement of coordination mechanisms, which is required taken into account the growing number of actors in the sector. A second area of the project will tackle the supply of professional training for Microfinance service providers in collaboration with specialized training institutions. Finally efforts will be undertaken to support the development of a limited number of products and methodologies that ensure increased access to financial services for rural families.

The Country Resident Advisor will provide the required technical support for the National Directorate for Promotion of Rural Development (NDPRD), which is the implementing partner of the project. The CRA will work in close collaboration with DNPDR for the daily implementation of the project, as manager and team leader, but also with UNDP/UNCDF for the identification of possible areas of development of partnerships and resource mobilization for implementation of activities. At country level, the Country Resident Advisor will provide technical support and policy advice regarding the development of a clear and monitorable action plan to operationalise the strategy on microfinance among other activities. In this case also strong technical skills are required. S/he assists the NDPRD in leading the process to build an inclusive financial system.

### **III. Functions / Key Results Expected**

Under the supervision of the UNDP Resident Representative (RR) or delegated UNDP Program Officer and the technical supervision of the UNCDF Regional Technical Manager for Financial inclusion, the Chief Resident Adviser is responsible for:

- the project management;
- supporting NDPRD in the coordination of the process for financial inclusion and providing technical advice to key stakeholders in the country;

supporting development of business strategies, tools and intelligence, to build and maintain

- partnerships, and enhance resource mobilization;
- acquiring and sharing knowledge on financial inclusion;
- providing support to Financial Inclusion Regional Unit and UNCDF/UNDP management on corporate initiatives and activities.

#### **Specific duties include:**

#### **TECHNICAL SUPPORT:**

- Develop effective and innovative strategies for implementation of the project based on (i) different evaluations made on the sector, (ii) dialogue and negotiations with key actors in the sector (government, investors, policymakers, financial service providers), advancing UNDP/UNCDF's comparative advantages;
- Provide technical support (i) to improve the national strategy (ii) establish/manage the national board (Coordination Board), and (iii) for development of enabling regulatory and legal framework;
- Technical guidance to UNDP/UNCDF on formulation of their annual workplans and provide technical contributions for the "knowledge networks"

## **PARTNERSHIPS AND EXTERNAL RELATIONS:**

- Develop a close collaboration with the Rural Finance Support Programme (RFSP)
- Develop strong national partnerships with major multilateral and bilateral organizations for business development and cost-sharing, and increases in partner co-financing;
- Develop strong partnership with the government, central bank, development partners, private investors and civil society to successfully implement national strategies, policies and interventions to develop an inclusive financial sector and to increase visibility and awareness of UNDP/UNCDF comparative advantages and strategic niches in financial inclusion within the country;
- Support UNDP in their participation/co-chairing of the MF donor group.

## **KNOWLEDGE MANAGEMENT:**

- Identify, document and incorporate lessons learned from financial inclusion experience in the country and at regional level, as input into portfolio management and planning at national and regional level for enhancing policy and programme support to financial inclusion and for knowledge management collaborations with key partners, particularly CGAP;
- Identify and develop of new products, tools and processes in UNCDF/UNDP niche areas to better employ comparative advantages in the sub-region;
- Review of existing products, concepts and tools in financial inclusion to ensure continued effectiveness and to increase awareness of these products, tools, etc. among key stakeholders, adapting them to changes in circumstances and requirements in the country and the region;
- Share different experiences with stakeholders and partners interested in the country.

## **CORPORATE ADVICE/SUPPORT**

- Provide substantive inputs into Regional Unit work plan and UNCDF Business Plan;
- Support development of Financial inclusion Regional Unit and UNCDF programme and business strategies and to annual reviews;
- Advise UNDP/UNCDF senior management on technical issues and business development opportunities, including inputs into corporate presentations and reports.

## **III. Impact of Results**

- The general impact of this post will be on improved governance of the Programme but specifically, it is expected to support the efficient and effective implementation of Programme activities;
- Specific results of this effort are to guarantee the adoption of a monitorable implementation plan for the National Policy and Strategy for Microfinance and creation of an appropriate coordination mechanism; to develop and effectively promote training for Microfinance Service Providers and to have supported at least 3 innovative financial products or approaches (mainly for rural areas).

## **IV. Competencies**

### **CORPORATE:**

- Demonstrates integrity and fairness;
- Displays cultural sensitivity and adaptability;
- Shows strong corporate commitment
- Demonstrates integrity by modeling UN's values and ethical standards;
- Promotes the vision, mission, and strategic goals of UNDP/UNCDF;
- Displays a high level of respect, diplomacy and tact when dealing with government officials, donors and other project stakeholders;
- Is proactive and has ability to discuss openly with all senior government staff;
- Shares knowledge and experience and contributes to UNDP Practice Areas and actively works towards continuing personal learning and development;
- Ability to lead strategic planning, results-based management and reporting;
- Ability to lead formulation and evaluation of programme components and activities;

- Focuses on impact and result for the client and responds positively to critical feedback, consensus-oriented;
- Leads teams effectively and shows conflict resolution skills;
- Capacity to perform effectively under pressure and hardship conditions;

**FUNCTIONAL:**

- University degree in Economics, Business, or related social science discipline;
- Significant experience (10 years) in Micro-finance (preferably in working with government) and in-depth understanding of Micro-Finance sector;
- Experience with similar assignments in similar developing countries, preferably in Africa;
- Demonstrated negotiation and capacity building skills;
- Hands-on experience in design, monitoring and evaluation of development projects,
- Excellent computer skills and ability to use information technology as a tool and resource;
- Previous work experience with UN / UNDP-UNCDF highly advantageous;
- Demonstrated experience designing or facilitating professional Microfinance training;
- Proven ability to manage diverse and complex tasks;
- Full working knowledge of English and Portuguese ,
- Excellent drafting and presentation skills;

**V. Recruitment Qualifications**

Education:	University degree in Economics, Business, or related social science discipline;
Experience:	Significant experience (10 years) in Micro-finance (preferably in working with government) and in-depth understanding of Micro-Finance sector; Experience with similar assignments in similar developing countries, preferably in Africa. Previous work experience with UN / UNDP-UNCDF highly advantageous;
Language Requirements:	Full working knowledge of English and Portuguese

## **Annex 5: Terms of Reference: Investment Committee**

### **1. Background**

In order to promote coordination, synergy, partnership, good use of the resources and avoid overlapping of the support activities to the sector, the Project will establish an Investment Committee. This Investment Committee will be also be opened to other donors / investors active in the sector at a level of 0.5 million USD investment and sharing best practices and the same vision to promote inclusive financial sectors.

### **2. Roles and Responsibilities**

#### **2.1. Main roles and responsibilities**

The I.C. will have the main following roles and responsibilities:

- design and approve a framework for assessing the investment;
- ensure that partners with high potential are selected and that sound investments are made;
- assess the performance of the supported institutions (financial institutions, local service providers and ) against contractually agreed performance benchmarks

#### **2.2. Detailed roles and responsibilities**

The I.C. will:

- design a common framework for the donors to use for:
  - assessing the Investment;
  - reporting (following the international standards);
  - joint review of the implementation of the funded proposals through audit and consulting firms or technical review of their own teams;
  - sharing information...
- 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) sent by the CRA and ensure that performance targets and minimum performance standards are clearly specified for key results: Outreach, Number of Active Clients; Sustainability: Operational Self-sufficiency; Portfolio Quality: Portfolio at Risk at 30 Days [PAR@30]; other specific targets will be set for innovation (rural finance, savings, electronic banking...)
- 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 (contractually agreed benchmarks) and approve the disbursements of tranches based on Workplan targets/objectives achieved or objectives outlined in future workplans;
- 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 the participating organizations;
- Identify policy issues that are constraints to MFI development, and provide recommendations.

### **3. Composition**

The joint I.C. will comprise:

- the Banco do Mozambique (as non – voting);
- the MFI network or representatives from the FSPs (before the network is officially set up) (as non – voting);
- the representative of the Ministry in charge of the microfinance sector (non – voting);
- a representative of UNDP;
- a representative of UNCDF;
- the CRA (as non – voting).

A representative of UNDP and UNCDF and the Banco do Mozambique will act alternatively as the Chairperson.

The UNCDF and UNDP Programme CRA will act as the Secretariat.

Each representative should have technical competencies in financial sector development. If not, he should be trained before becoming a member.

#### **4. Criteria for Applications from MFIs**

The financial institutions who want to apply should at least meet the following criteria:

- Good vision and good governance;
- Disciplined management (good pricing policy, objective of sustainability, market – oriented activity, financial transparency (reporting and accountability), delinquency control, internal control, business plan);
- Potential to growth and increase outreach.

For the investment related to innovations, in addition, the financial intermediary should prove its interest in innovation and providing services to rural agriculture.

The CRA could assist the financial intermediaries to correct some of their weaknesses before sending an application or to designing a business plan.

For the information to be included in the proposal, see below.

#### **5. Decision Making Process**

The I.C. will meet at least four times a year and on a as – needed basis.

The secretariat of the joint I.C. will circulate the funding proposals four weeks before the meeting along with its technical analysis.

The decision will be taken on a consensus basis after objective analysis and discussions.

#### **6. Implementation of the decisions:**

Each donor accepting to finance or co – finance a given proposal will follow its own financial arrangements to release the funds.

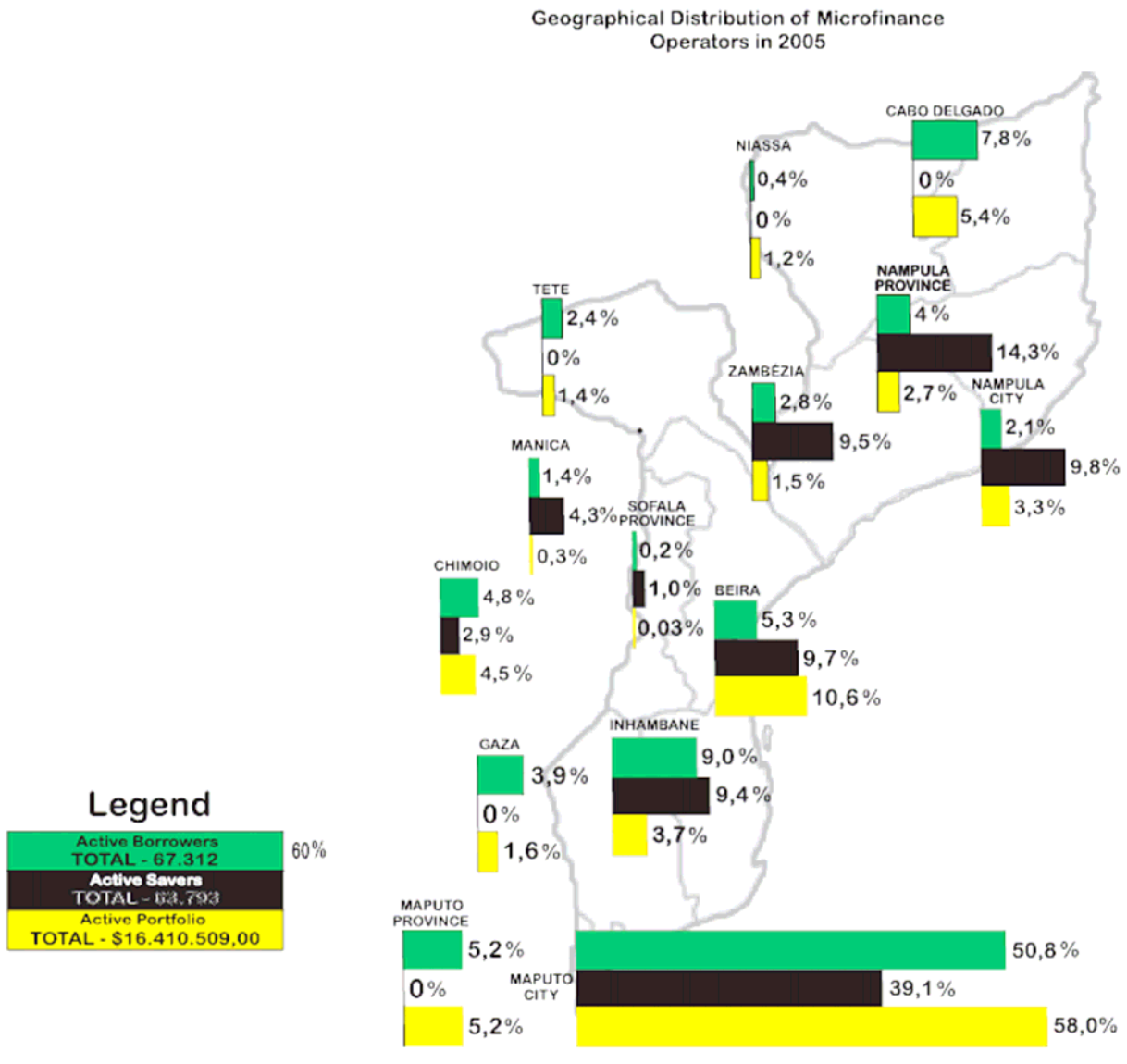
If need be, the Investment Committee will review and adjust these Terms of Reference.

#### **Information to be included in funding proposals**

1. Institution presentation
  - a. Brief History, mission statement, vision, governance and ownership structure, management (Human Resources and background of the key managers, systems, manuals, internal control, MIS...);
  - b. Financial service and products delivery systems (branches, products and terms, clients...);
  - c. Results and key indicators (last 2 or 3 years: Number of active clients, PAR@30 days, outstanding portfolio, outstanding savings, Operational and Financial Self – sufficiency or Adjusted Return on Assets (AROA)), audited financial statements (income statements and balance sheets)
  - d. Institution main strengths and weaknesses.
2. Funding proposal
  - a. Problem to be solved;
  - b. Objective and impact on outreach and sustainability;
  - c. Activities, partners, budget;
  - d. Institution contribution, other sources of funds and amount requested from the Capacity and Innovation Fund.



### Annex 6 Geographical Distribution of Microfinance operators in 2005



## Annex 7 Overview of classification decree 57/2004

