



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
MOZAMBIQUE: FINANCIAL INCLUSION AND STABILITY PROJECT  
APPROVED ON DECEMBER 13, 2018  
TO  
MINISTRY OF ECONOMY AND FINANCE  
FINANCE, COMPETITIVENESS AND INNOVATION  
AFRICA EAST

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## ABBREVIATIONS AND ACRONYMS

BOM	Bank of Mozambique
DLI	disbursement-linked indicator
FARE	<i>Fundo de Apoio à Reabilitação da Economia</i> (Fund for Supporting Economic Rehabilitation)
FGD	<i>Fundo de Garantia de Depósitos</i> (Deposit Guarantee Fund)
GDP	gross domestic product
INAS	<i>Instituto Nacional de Acção Social</i> (National Institute for Social Protection)
KfW	<i>Kreditanstalt für Wiederaufbau</i> (German development bank)
MEF	Ministry of Economy and Finance
MSMEs	micro, small, and medium enterprises
PBC	performance-based condition
PDO	project development objective
PIU	Project Implementation Unit



**BASIC DATA**

**Product Information**

Project ID P166107	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 13-Dec-2018	Current Closing Date 30-Jun-2024

**Organizations**

Borrower  Ministry of Economy and Finance	Responsible Agency Bank of Mozambique, Centro de Desenvolvimento de Sistemas de Informação de Finanças (CEDSIF), Deposit Guarantee Fund, Fundo de Apoio à Reconstrução da Economia, Instituto de Supervisao de Seguros de Mocambique, Instituto Nacional de Accao Social (INAS), Ministry of Economy and Finance, Ministry of Education and Human Development, Ministry of Justice and Constitutional and Religious Affairs
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**Project Development Objective (PDO)**

Original PDO

The objective of the Project is to increase financial inclusion among underserved groups and MSMEs, while strengthening the overall financial safety net.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-D4050	13-Dec-2018	01-Feb-2019	29-Aug-2019	30-Jun-2024	40.00	9.30	30.22



### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. **The Financial Inclusion and Stability Project (the Project) has been instrumental in supporting financial inclusion through digitization of government payments to beneficiaries of social assistance, helping establish the new collateral registry, and strengthening the deposit insurance scheme.** The project development objective (PDO) remains achievable and there has been progress in achieving PDO indicators. However, disbursements are low and implementation progress is currently moderately unsatisfactory. There are obstacles that prevent more financial inclusion, including legal and regulatory obstacles related to customer due diligence of people that lack identification documents and minimum age to open accounts, although the authorities are considering new legislation that would remove some of these challenges. Moreover, progress in regulating the landmark law on financial institutions (approved in 2020) has been slower than expected; in particular, delays in updating deposit insurance regulations are preventing the disbursement of much needed project proceeds for capitalization of the deposit guarantee fund (FGD).

2. **The government requested an ambitious restructuring aimed at addressing existing implementation challenges.** The project will add new activities aimed at contributing to the PDO, within the originally defined components, and remove others that are no longer relevant or feasible. The new project activities have been endorsed by the Minister of Economy and Finance (MEF) in December 2021. The restructuring will introduce improvements to the existing implementation arrangements, namely (a) bringing on board one more implementation agency (the *Fundo de Apoio à Reabilitação da Economia* – FARE) that will be responsible for some of the new activities, and (b) recruiting an implementation contractor that will, *inter alia*, provide technical advice, develop terms of reference, and monitor activities.<sup>1</sup> This will allow the Project to expand its implementation capabilities and expertise. The restructuring also introduces improvements in the performance-based conditions (PBCs) (originally, disbursement-linked indicators) for the capitalization of the FGD. Finally, the results framework will be reviewed to reflect the new scope and upgrade its design. The proposed changes were informed by the discussions and findings of the mid-term review conducted in October 2021 and by the implementation support mission conducted in March and April 2022.

3. **The Government is seeking funding for an emergency response to alleviate the impact of the rise in international food and fuel prices on the most vulnerable and could, in the short-term, request that part of non-committed funds under the Project be reallocated.** If such request for reallocation of funds materializes, the government will submit a separate request for project restructuring, to avoid delaying the ongoing restructuring.

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<sup>1</sup> The restructuring paper also provides proper recognition of the roles played so far by certain government agencies in project implementation, which had not been properly reflected in the original project appraisal document. This includes the Ministry of Justice and Constitutional and Religious Affairs, the Ministry of Education and Human Development, the *Instituto Nacional de Acção Social* (INAS), and the *Centro de Desenvolvimento de Sistemas de Informação de Finanças*. These agencies will continue to have a technical role in project activities but will not have financial management or procurement responsibilities, which remain with the project implementation unit (PIU).



## II. DESCRIPTION OF PROPOSED CHANGES

4. **Outreach to unbanked areas in Mozambique has expanded somewhat but most financial services are still concentrated in urban centers, reflecting the low economic viability of investing in financial access points in these areas, and limiting the ability to reach the rural population.** Since 2016, the expansion of bank branches has not kept pace with population growth, but there has been an effort to establish branches in unserved districts. The number of districts without bank branches has been diminishing: out of 154 districts in the country, 16 percent are not covered by bank branches (27 percent in 2019). ATM coverage in 2020 remained at 2019 levels (10 ATMs per 100,000 adults). To reduce regional disparities, there is a role for public support to incentivize private investment in financial access points in underserved regions.

5. **There is currently no public-sponsored credit guarantee scheme in Mozambique, limiting the government's capacity to provide development finance to underserved segments and to provide countercyclical support in times of economic crises.** However, in December 2021 the MEF approved the setting-up of a multi-agency working group that will be responsible for designing and establishing a national credit guarantee scheme for small and medium enterprises (SMEs). The design will be based on a feasibility and design study to determine the scheme's size and characteristics tailored to the local market.

6. **The microfinance sector in Mozambique is small and suffers from severe deficiencies.** The sector is roughly divided in two groups: (a) a small, more formal group, comprised of deposit-taking institutions (9 microbanks, 8 credit cooperatives, and 4 savings and loans organizations), and subject to BOM's supervision (albeit limited, given supervisory resource constraints); and (b) a more informal group, comprised of more than one thousand microcredit operators, many of them dormant and not commercially viable, and not supervised. Microfinance institutions in Mozambique face difficulties in securing funding and most are still dependent on development partners' funds and their own capital to finance their lending. Additional challenges include lack of proper accountability and reporting.

7. **To address these financial inclusion challenges, the Project will finance three new activities that require new implementation arrangements:**

- a. **Matching grants to payment service providers for private investments in payment infrastructure (including agents) in regions underserved by financial services access points.** Funding for the matching grants will be sourced from within Cost Category 2, by reducing the funding originally allocated for the Rebates Program (Component 1.1) in the same amount, given the lower estimated number of digital payments to be supported under the Project (see Table 1).<sup>2</sup> There is a rationale for public support for private investments in underserved regions and matching grants have the potential to align incentives between public and private sector. There is an opportunity to use georeferencing data to help identify underserved areas. The program's operations manual will be updated, and a bid evaluation committee composed of independent experts will be established. FARE would be the government agency responsible for implementation, given its experience in this area. These investments will not require civil works and therefore there is no expected change in the environmental and social risk classification.

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<sup>2</sup> In particular, the original estimates foresaw regular monthly social payments to INAS beneficiaries, but INAS has demonstrated a preference for one-off and larger payments, thereby reducing the number of withdrawals and thereby the needs for financing withdrawal fees.



- b. **Design of a partial credit guarantee system for SMEs.** The Minister approved a proposal to establish a multi-stakeholder working group that will be responsible for the feasibility and design study for this new credit guarantee system. MEF sent invitations for participation in the working group, which is being established. The Project will finance technical assistance to the working group, namely a market study and evaluation of options to create a credit guarantee system in line with the legal and financial system characteristics of Mozambique. If the system is proven viable, its capitalization could be financed by the proposed Mozambique Access to Finance and Economic Opportunities Project (P178658).
- c. **Strengthen the institutional capacity of microfinance institutions to serve small entrepreneurs and businesses.** The Project will allocate funds to finance investments in strengthening the operational capacity of financial institutions focused on microfinance, namely in management information tools and skills. These activities can be included in the Rebates Program or be subject of a specific procurement process. FARE will be the government agency responsible for implementation, given its experience in this area. The Project will also finance audit services to assess compliance by microfinance institutions with minimum eligibility criteria for potential World Bank funding that could be financed by the proposed Mozambique Access to Finance and Economic Opportunities Project (P178658).

8. **The project will also reallocate funds to finance new activities to be managed within existing implementation arrangements.** These are new activities within the same components and cost categories and do not require additional funding (see Table 1). To facilitate the transition to digital payments, the Project will procure mobile (feature) phones for INAS beneficiaries to enable them to manage funds to be received in e-money wallets. The project will also finance support for the preparation of new financial sector development strategies, including a new capital markets development master plan. Capital markets development will also benefit from a second phase of investments in new IT infrastructure for the MEF. These new activities will be funded by reallocation of funds from originally envisaged activities that have lower funding requirements (such as the technical assistance for government and financial education and awareness), as well as from contingency funds.

**TABLE 1: REALLOCATIONS OF FUNDS BY COST CATEGORY**

Activity	Original allocation (US\$ millions)	Revised allocation (US\$ millions)
<b>Cost Category 1</b>		
Procurement of mobile phones for INAS beneficiaries	0.0	2.5
Technical assistance for government payment digitization	2.0	0.0
Financial education and awareness	4.5	0.75
Support the establishment of a credit guarantee system for MSMEs	0.0	0.5
Strengthen the institutional capacity of microfinance institutions	0.0	2.0
Develop a capital markets development master plan	0.0	0.5
Communication infrastructure for MEF	0.0	1.5
Support evaluation of financial sector development and financial inclusion strategies, including through surveys for access to finance for MSMEs	0.0	0.75
Institutional capacity development for the insurance supervisor	1.0	1.25
Recruitment of implementation contractor (see paragraph 10)	0.0	1.5
Contingency	3.75	0.0
<b>Total</b>	<b>11.25</b>	<b>11.25</b>
<b>Cost Category 2</b>		
Rebates program for expanding digitization of government payments	7.3	3.3
Matching grants for expansion of financial access points in rural areas	0.0	4.0
<b>Total</b>	<b>7.3</b>	<b>7.3</b>



9. **This restructuring proposes to assign FARE the responsibility for the technical coordination of the project support to the expansion of financial access points and to the microfinance sector** (activities a) and c) in paragraph 7). FARE is a public fund with legal personality and financial and administrative autonomy, that operates as a development finance institution and reports to the MEF. Since its latest restructuring (in 2009), FARE has provided resources for rural- and micro-finance using a wholesale financial intermediation model, whereby its funding is channeled to target segments via financial institutions. FARE's 2020 audited financial statements reported a loan portfolio of 58 loans to microfinance institutions for a total of \$2.3 million. FARE has developed competencies and skills in managing loans and matching grants for microfinance institutions to promote financial inclusion. The Task Team has assessed FARE's experience in promoting the expansion of financial access points and the microfinance sector, and is satisfied that it has the appropriate mandate and expertise, although it may require some project support (e.g., in assessing proposals and in outreach). FARE will not manage funds flow—payments will continue to be the responsibility of the PIU—and will not be responsible for procurement, which remain the responsibility of the PIU.

10. **Along with the restructuring, the government will expand the expertise available for MEF to implement the project.** The current institutional arrangements have shown to be insufficient to handle a large number of complex activities, coordination among several stakeholders, and management of contracts. The Project will recruit an implementation contractor with extensive experience and competencies in promoting and implementing activities for financial sector development in Mozambique. This would entail preparation of terms of reference and technical oversight of deliverables, among other technical activities. The PIU will continue to have the full fiduciary responsibility over the Project.

11. **The restructuring proposes amendments to the PBCs for capitalization of the FGD (see revised PBCs in the Results Framework).** In 2021, the Project made two disbursements (for a total of \$4.1 million) to capitalize the FGD, following compliance with PBC 1. However, the process for amending the rules on deposit insurance scheme has been slower than expected. During the mid-term review, the parties agreed to revise PBC 2 (to better align with international principles of governance of deposit insurance schemes and reflect current priorities of the FGD) and PBC 3 (to simplify the condition and focus on the aspects that are more critical for most of the population).<sup>3</sup> The technical work required to support the changes in deposit insurance regulations is expected to be finalized in July 2022 and the FGD is preparing draft legislation with support from consultants financed by KfW.<sup>4</sup> The revised PBC calendar foresees that the required legislation is expected to be passed by December 2022. The project allocation to the PBCs may be cancelled if none of the required legislation is approved by this date.

12. **The restructuring proposes to improve the Project's results framework.** Several outcome indicators that are less relevant to the PDO will be removed, given that other remaining indicators are monitoring similar target groups and

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<sup>3</sup> In particular, PBC 2.3 was replaced due to the difficulty in determining the information that the FGD will require from BOM in its revised mandate, as well as due to the decision not to adopt risk-based premium structure in the medium term. Regarding PBC 3, there is no consensus on insuring deposits denominated in foreign currency, given the authorities' objective to reduce dollarization of the financial system in Mozambique. In addition, there is still no international consensus on how to protect individuals that have savings in mobile wallets, particularly given that the pass-through approach does not cover the risk that the mobile money operator does not place the float in custodial accounts due to financial failure or agent fraud.

<sup>4</sup> The preliminary results from the technical work suggest that the optimal fund size is likely to increase substantially, which could justify an increase in the project allocation to the PBCs. If confirmed, this reallocation of funds would be realized through a separate restructuring.



to adjust to the limited institutional capacity to collect the data. The definition and unit of measure of some indicators is improved to remove ambiguities and to facilitate comparability with existing sources of data. Some targets are increased given the good performance of the indicators so far. Finally, one breakdown outcome indicator is added to better monitor the impact of the new collateral registry on access to credit by women-led MSMEs and women entrepreneurs.

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Implementing Agency	✓	
Results Framework	✓	
PBCs	✓	
Institutional Arrangements	✓	
DDO Status		✓
Project's Development Objectives		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓



**IV. DETAILED CHANGE(S)**

**IMPLEMENTING AGENCY**

<b>Implementing Agency Name</b>	<b>Type</b>	<b>Action</b>
Bank of Mozambique	Implementing Agency	No Change
Centro de Desenvolvimento de Sistemas de Informação de Finanças (CEDSIF)	Implementing Agency	New
Deposit Guarantee Fund	Implementing Agency	No Change
Fundo de Apoio à Reconstrução da Economia	Implementing Agency	New
Instituto de Supervisao de Seguros de Mocambique	Implementing Agency	No Change
Instituto Nacional de Accao Social (INAS)	Implementing Agency	New
Ministry of Economy and Finance	Implementing Agency	No Change
Ministry of Education and Human Development	Implementing Agency	New
Ministry of Justice and Constitutional and Religious Affairs	Implementing Agency	New



Results framework

COUNTRY: Mozambique

Mozambique: Financial Inclusion and Stability Project

Project Development Objectives(s)

The objective of the Project is to increase financial inclusion among underserved groups and MSMEs, while strengthening the overall financial safety net.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
<b>Increasing usage of transaction accounts and access to finance for MSMEs</b>			
Teachers in rural areas with access to a mobile money account (Percentage)		13.00	25.00
<i>Action: This indicator has been Marked for Deletion</i>	<i>Rationale: Indicator is no longer relevant for the project scope. Since project implementation started, the largest banks have established interoperability for payments between bank accounts and mobile money wallets without project support.</i>		
Teachers in rural areas with access to a mobile money account (Number)		9,100.00	17,500.00
<i>Action: This indicator has been Marked for Deletion</i>			
Targeted recipients of government transfers that make or receive digital payments (Percentage)		0.00	25.00
Life-long learning facilitators (Number)		0.00	2,500.00
Life-long learning facilitators (Percentage)		0.00	25.00



Indicator Name	PBC	Baseline	End Target
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <b>Remove to simplify the results framework and given that the previous indicator monitors the same target group.</b>		
Beneficiaries of social transfers in urban areas (Number)		0.00	100,000.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Increase in target from 5,000 to 100,000.</b>		
Beneficiaries of social transfers in urban areas (Percentage)		0.00	20.00
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <b>Remove to simplify the results framework and given that the previous indicator monitors the same target group.</b>		
Beneficiaries of social transfers in rural areas (Number)		0.00	20,000.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <b>Target revised from 10,000 to 20,000</b>		
Beneficiaries of social transfers in rural areas (Percentage)		0.00	10.00
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <b>Remove to simplify the results framework and given that the previous indicator monitors the same target group.</b>		
Adults making or receiving digital payments in the past year (Percentage)		34.00	42.00
Women (Percentage)		27.00	40.00
Men (Percentage)		42.00	50.00



Indicator Name	PBC	Baseline	End Target
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <i>The proposed deletion aims to simplify the results framework. The project will continue to measure this indicator for the overall adult population and for women.</i>		
Poorest 40% of the population (Percentage)		20.00	28.00
Active mobile money agents (per 100,000 adults) (Number)		277.00	600.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>We propose to adjust the unit of measure of the indicator, to match the indicator regularly used by the Bank of Mozambique.</i>		
Districts covered by active mobile money agents (Percentage)		77.00	99.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>Target revised from 90 percent to 99 percent.</i>		
MSMEs and individuals that received loans secured by movable assets registered in the collateral registry (Number)		0.00	3,750.00
<b>Action: This indicator has been Revised</b>	<b>Rationale:</b> <i>The proposed amendment aims to clarify that individual entrepreneurs (and not only legal entities) are included in the definition of the indicator, as described in the PAD.</i>		
Women-led MSMEs and women that received loans secured by movable assets registered in the collateral registry (Number) (Number)		0.00	3,000.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator is New</i>	<p><b>Rationale:</b>  <i>To allow for disaggregation by gender and therefore monitor the impact of the new collateral registry on women-led SMEs and women entrepreneurs.</i></p>		
<b>Strengthening financial safety nets</b>			
Size of the deposit insurance fund as a share of eligible deposits (without contributions from other development partners) (Percentage)		0.11	0.40
<i>Action: This indicator has been Revised</i>	<p><b>Rationale:</b>  <i>The FGD proposed to measure the indicator as a percentage of eligible deposits (rather than total deposits in the system) since it is a more relevant indicator.</i></p>		

**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	End Target
<b>Increasing usage of transaction accounts and access to finance for MSMEs</b>			
IT solution that enables Treasury to interface with e-money payment systems installed and operational (Yes/No)		No	Yes
Individuals benefitting from financial literacy awareness program (Number (Thousand))		0.00	250.00
<i>Action: This indicator has been Revised</i>	<p><b>Rationale:</b>  <i>Reduce the target number for the indicator, to reflect the reduced allocation of funds.</i></p>		



Indicator Name	PBC	Baseline	End Target
Recipients of government transfers reporting satisfaction with the digitized payment method(s) (citizen engagement) (Percentage)		0.00	66.00
A centralized, web-based collateral registry established and operational (Yes/No)		No	Yes
<b>Strengthening financial safety nets</b>			
Strengthened bank recovery resolution framework (Yes/No)	PBC 1	No	Yes
Improved DGF's ability to undertake deposit insurance functions (Yes/No)	PBC 2, 2	No	Yes
Expanded coverage of deposit insurance (Yes/No)	PBC 3, 3	No	Yes
Insurance companies among the five largest with integrated connections to the supervisory reporting system (Number)		0.00	3.00
<b>Action: This indicator has been Marked for Deletion</b>	<b>Rationale:</b> <b>The Project decided not to finance ISSM's supervisory reporting system.</b>		

**Performance-Based Conditions Matrix**

Performance-Based Conditions Matrix				
PBC 1	Strengthened bank recovery resolution framework			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Yes/No	4,000,000.00	10.00
Period	Value		Allocated Amount (USD)	Formula



Baseline	No		
Year 1			4,000,000.00
Year 2			0.00
Year 3			0.00

<b>PBC 2</b>	Improved DGF's ability to undertake deposit insurance functions			
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Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Yes/No	4,000,000.00	10.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
Year 1			0.00	
Year 2			4,000,000.00	
Year 3			0.00	

*Action: This PBC has been Revised. See below.*

<b>PBC 2</b>	Improved DGF's ability to undertake deposit insurance functions			
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Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Yes/No	4,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula



Baseline	No		
Year 1			0.00
Year 2			0.00
Year 3			4,000,000.00

**Rationale:**

*As requested by DGF, we propose to align the DLI/PBC with the standards of the International Association of Deposit Insurers, while keeping the overall alignment with reform areas. In addition, and given the legal limitations that the Bank of Mozambique faces when sharing information, the DGF requested to replace sub-indicator 3 for a DLI/PBC that reflects the objective to strengthen reporting of microfinance institutions.*

<b>PBC 3</b>	Expanded coverage of deposit insurance			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Intermediate Outcome	No	Yes/No	4,000,000.00	10.00
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	No			
Year 1			0.00	
Year 2			0.00	
Year 3			4,000,000.00	

**Action:** *This PBC has been Revised. See below.*



<b>PBC 3</b>	<i>Expanded coverage of deposit insurance</i>			
<b>Type of PBC</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
<i>Intermediate Outcome</i>	<i>Yes</i>	<i>Yes/No</i>	<i>4,000,000.00</i>	<i>0.00</i>
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
<i>Baseline</i>	<i>No</i>			
<i>Year 1</i>			<i>0.00</i>	
<i>Year 2</i>			<i>0.00</i>	
<i>Year 3</i>			<i>4,000,000.00</i>	
<b>Rationale:</b>				
<i>We propose to simplify the indicator and focus only the expected increase in the guarantee coverage ceiling.</i>				

**Verification Protocol Table: Performance-Based Conditions**

<b>PBC 1</b>	Strengthened bank recovery resolution framework
<b>Description</b>	
<b>Data source/ Agency</b>	Official bulletin.
<b>Verification Entity</b>	World Bank
<b>Procedure</b>	Official letter from the Ministry of Economy and Finance confirming that the law and regulation on bank recovery and resolution has been enacted, with a copy of the relevant decision and regulation issued by Parliament and the Council of Ministers attached.



<b>PBC 2</b>	Improved DGF's ability to undertake deposit insurance functions
<b>Description</b>	
<b>Data source/ Agency</b>	1. and 2. - Official bulletin. 3. - DGF.
<b>Verification Entity</b>	The World Bank
<b>Procedure</b>	Official letter from the DGF with evidence of completion of the DLI.
<b>PBC 2</b>	Improved DGF's ability to undertake deposit insurance functions
<b>Description</b>	The PBC is composed of three different sub-indicators/conditions: (i) DGF's governance structure is aligned with the IADI principles and with the local context, (ii) the premium structure for participating deposit-taking institutions is aligned with the IADI principles and with the local context, and (iii) DGF collects deposit data and charges premiums due from the microfinance institutions that collect deposits and are yet to make contributions to the DGFDGF.
<b>Data source/ Agency</b>	DGF.
<b>Verification Entity</b>	The World Bank
<b>Procedure</b>	Official letter from the DGF with evidence of completion of the PBC/DLI. For (i), the World Bank Team will assess if the normative instrument includes criteria that enables the integrity and technical capacity of the members of DGF's management committee and ensures that no person actively working for a participating financial institution can be a member of said committee. For (ii), the World Bank Team will assess if the formula for calculating regular premiums approved by the normative instrument is aligned with the IADI principles and promotes DGF's sustainability. For (iii), the World Bank Team will assess if at least three microfinance institutions that are covered by the deposit guarantee are reporting deposit data and paying premiums, based on DGF's audited financial statements.
<b>PBC 3</b>	Expanded coverage of deposit insurance
<b>Description</b>	



<b>Data source/ Agency</b>	Official bulletin
<b>Verification Entity</b>	World Bank
<b>Procedure</b>	Official letter from the Ministry of Economy and Finance confirming that regulations have been issued covering the following; (i) coverage limit per depositor at a financial institution increased to MZN 40,000; (ii) coverage of deposits held by legal entities and non-residents provided, (iii) coverage of foreign currency deposits provided, and (iv) “pass through” coverage of mobile money accounts provided.
<b>PBC 3</b>	Expanded coverage of deposit insurance
<b>Description</b>	Expand the guarantee coverage limit by depositor and by participating financial institution.
<b>Data source/ Agency</b>	Official bulletin
<b>Verification Entity</b>	World Bank
<b>Procedure</b>	Official letter from the Ministry of Economy and Finance confirming that regulations have been issued increasing the coverage limit per depositor at a financial institution. The financing to be disbursed will depend on the new coverage limit, whereas 100% of the available funding will be disbursed if the coverage limit is increased to at least MZN 40,000, and will not disburse if the coverage limit is MZN 20,000 or lower. In case of a new coverage limit in between MZN 20,000 and MZN 40,000, the amount will be disbursed in proportion.



**The World Bank**

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