



# Mozambique National Financial Inclusion Strategy

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2016 – 2022     *Mid-Term Review*

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A joint World Bank–Alliance for Financial Inclusion mission visited Mozambique on July 8–12, 2019. This report summarizes the main findings of that mission, identifies development opportunities, and provides policy recommendations. The team wishes to express its gratitude to Governor Rogério Zandamela, Administrator Gertrudes Tovela, Director Carla Fernandes, and other officials of the Bank of Mozambique, as well as representatives from the Bank of Ghana, the Bank of Uganda, and of the public and private sectors in Mozambique who provided invaluable support, time, and assistance to the preparation of this report. The mid-term review team comprised Julián Casal, Carlos Vicente, Oya Ardic Alper, and Ann Rennie (World Bank) and Norbert Mumba and Charles Marwa (Alliance for Financial Inclusion). It has benefited from comments from Douglas Pearce, Practice Manager, and Carolin Geginat, Program Leader (World Bank). Design services were provided by Nuno Picolo d’Almeida. Photography produced by Joca Faria.

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## LIST OF ABBREVIATIONS

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**AMB**

Associação Moçambicana de Bancos  
(Bankers Association  
of Mozambique)

**AML/CFT**

anti-money laundering and  
countering the financing  
of terrorism

**AMOMIF**

Micro-Finance Operators Association

**AMS**

Mozambican Insurers Association

**ASCA**

Accumulating Savings and Credit  
Association

**ATM**

automated-teller machine

**BMM**

Bolsa de Mercaderias de  
Moçambique (Commodities  
Exchange)

**BOM**

Bank of Mozambique

**BVM**

Bolsa de Valores de Moçambique  
(Mozambique Stock Exchange)

**DBP**

Departamento de Serviços  
Bancários e Sistemas de Pagamento  
(Department of Bank Services and  
Payment Systems)

**DFID**

Department for International  
Development (United Kingdom)

**DNIC**

Direcção Nacional de Identificação  
Civil (National Directorate for Civil  
Identification)

**FFH**

Housing Development Fund

**FSD**

Financial Sector Deepening  
Mozambique

**GIFim**

Gabinete de Informação Financeira de  
Moçambique (Mozambique Financial  
Information Office)

**GIS**

Geographic Information System

**GIZ**

German Agency for International  
Cooperation (Deutsche Gesellschaft für  
Internationale Zusammenarbeit)

**GOM**

Government of Mozambique

**IME**

instituição de moeda eletrónica  
(mobile-money operator)

**INAS**

National Social Action Institute

**INCM**

National Communications Institute  
of Mozambique

**INE**

National Statistics Institute

**INPS**

National Social Providence Institute

**INSS**

Instituto Nacional de Segurança Social  
(National Social Security Institute)

**IPEME**

Institute for the Promotion of SMEs

**ISSM**

Insurance Supervision Institute  
of Mozambique

**KYC**

know your customer

**M&E**

monitoring and evaluation

**MEF**

Ministry of Economy and Finance

**MGCAS**

Ministry of Gender, Children, and Social  
Action

**MIC**

Ministry of Industry and Commerce

**MINEDH**

Ministry of Education and Human  
Development

**MININ**

Ministry of the Interior

**MITADER**

Ministry of Land, Environment,  
and Rural Development

**MITESS**

Ministério do Trabalho, Emprego e  
Segurança Social (Ministry of Labor,  
Employment, and Social Security)

**MJACR**

Ministry of Justice, Constitutional  
and Religious Affairs

**MOPHRH**

Ministério das Obras Públicas,  
Habitação e Recursos Hídricos de  
Moçambique (Ministry of Public  
Works, Housing, and Water Resources)

**MSME**

micro, small, and medium-size  
enterprise

**NFIS**

National Financial Inclusion Strategy

**POS**

point of sale

**SIMO**

Sociedade Interbancaria de  
Moçambique (payment switch)

**SME**

Small and medium-size enterprise

**TIU**

Technical Implementation Unit

**UIE**

Unidade de Implementação do  
Projecto (Project Implementation  
Unit)

**WG**

working group

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# I. Financial Inclusion in Mozambique

1. Financial inclusion is a key enabler to reducing poverty and increasing shared prosperity. In Mozambique, despite considerable efforts to promote financial inclusion, less than half the population in 2016 had access to a bank account (36 percent) or mobile-money account (44 percent). In terms of physical access, only 58 percent of districts in Mozambique had a bank branch in 2016.

2. In response, the Government of Mozambique launched an ambitious National Financial Inclusion Strategy (NFIS) in July 2016. The NFIS is based on three pillars:

- (i) access and usage of financial services,
- (ii) strengthening financial infrastructure, and
- (iii) consumer protection and financial literacy. The NFIS also identified priority areas for action and key implementation targets, together with a proposed coordination structure and a monitoring and evaluation (M&E) framework. The NFIS implementation period is from 2016 to 2022, with an initial phase to 2018.

3. By 2018, the percentage of the population with access to a bank account had fallen slightly (to 33 percent), but growth in mobile-money accounts (51 percent) compensated for the decline. In terms of physical access, there was also improvement in the percentage of districts with at least one access point to formal financial services (69 percent) despite an increase in the overall number of districts.

4. A mid-term review of the NFIS was undertaken to assess progress at the end of the first phase, recommend requisite course corrections, and establish priorities for the second phase. The mid-term review was requested by the Bank of Mozambique and conducted by the World Bank in consultation with the Bank of Mozambique, the Alliance for Financial Inclusion (see box 1), representatives of the Bank of Ghana and Bank of Uganda, and other public and private stakeholders.

5. This report includes recommendations for priority actions for Phase II of the strategy's implementation and monitoring of progress. It is based on an examination of relevant written documentation and discussions with stakeholders during two visits to Mozambique (November 12–23, 2018, and July 8–12, 2019).

## Box 1: The Alliance for Financial Inclusion

*The Alliance for Financial Inclusion (AFI) is a member-owned global network of financial-inclusion policy makers. It has approximately 100 members, consisting of central banks and other financial regulatory agencies from developing countries, including the Bank of Mozambique. AFI's core mission is to empower policy makers to increase the access and usage of quality financial services for the underserved through the formulation, implementation, and global advocacy of sustainable and inclusive policies.*

*AFI uses peer-to-peer learning to connect and encourage financial policy makers to interact and exchange knowledge on inclusive policy initiatives such as consumer protection, digital financial services, financial integrity, agent banking, formalizing micro-savings, and data and measurement. AFI also operates the AFI Data Portal, an online global database on financial-inclusion policies, regulations, and outcomes sourced directly from policy makers and regulators.*

*The Bank of Mozambique invited AFI to participate in stakeholder consultations for the mid-term review that were held in Maputo in July 2019. AFI presented good practices on financial-inclusion strategies and elaborated on recent trends and issues, including Inclusive Green Finance, Gender-Inclusive Finance, and finance for Forcibly Displaced Persons, and their potential relevance to Mozambique. The data and peer-learning opportunities afforded by AFI will provide a valuable resource to policy makers and other NFIS stakeholders as they pursue implementation of the NFIS during the second phase of the strategy.*



## WHAT HAS BEEN ACHIEVED?

### 6. Mozambique has made considerable progress in financial inclusion during the first half of the implementation period for the NFIS (2016–18).

Notable accomplishments include the opening of more than 4 million new accounts, growth in mobile-money transactions, expansion of financial access points, strengthening of the financial infrastructure for credit and secured transactions, and improvements in the legal and regulatory framework.

**Table 1: Headline Indicators of National Financial Inclusion in Mozambique**

INDICATOR	2016 (actual)	2017 (actual)	2018 (actual)	2018 (target)	2022 (target)
Adults who have physical or electronic access to financial services provided by a formal financial institution (percent)	36 (banks)	33 (banks)	33 (banks)	40	60
	44 (mobile)	44 (mobile)	51 (mobile)	40	60
Districts with at least one access point to formal financial services (percent)	58	60	69	75	100
Adults who have a point of access to financial services within five kilometers of their place of residence or work (percent)	NA	NA	NA	55	75

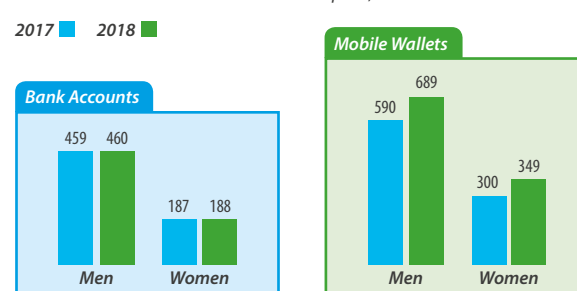
Source: Bank of Mozambique

**7. The main driver of this financial inclusion has been the growth in mobile wallets, while deposit accounts with banks have remained flat. (see Figure 1)** The number of registered mobile-money accounts surpassed bank accounts in 2016, and the gap continues to widen. Since 2015, bank-account ownership has grown by 8 percent a year on average, while mobile-wallet ownership has grown at nearly three times that rate (23 percent a year). The trend toward mobile has also been pronounced in the value of transactions, which went from an average of 1 percent of GDP in 2014–16 to 19 percent in 2017. Women are significantly underrepresented in terms of account ownership; Mozambique has the third largest gender gap in Sub-Saharan Africa.

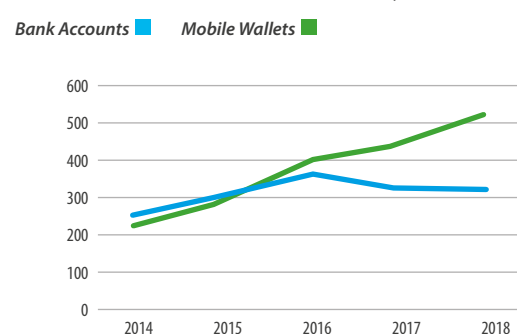
<sup>2</sup> IMF Financial Access Survey

**Figure 1: Access to Financial Accounts by Type and Owner**

Number of bank accounts and mobile wallets per 1,000 men and women



Growth in bank accounts and mobile wallets (number per 1,000 adults)



Source: Bank of Mozambique

**8. The emergence of digital finance has been facilitated by, among other things, new legislation on non-bank e-money issuance, an expanding network of automated-teller machines (ATMs) and point-of-sale (POS) terminals, and regulations issued on the use of bank agents, as envisaged in the NFIS Action Plan.**

ATM and POS transactions, supported by an expanding network of terminals, increased by 50 percent over the first implementation period to 150 million per year. Additional services such as bill payment have been introduced, increasing the convenience, usage, and value proposition of mobile-money operators. A draft regulation governing payment service providers has been approved by the Bank of Mozambique's board and presented to the Council of Ministers for approval. The Bank of Mozambique has also prepared draft regulations on simplified bank accounts and draft amendments to reduce the legal minimum age to open accounts from 21 to 16.

**9. Credit infrastructure has been strengthened during the first phase of NFIS implementation.** Experience globally shows that improvements in credit infrastructure facilitate access to finance over time. The new Private Credit Information Law and accompanying decree have been enacted, and one firm began operations in 2019. Parliament approved the Secured Transactions and Collateral Registry Law in November 2018, and accompanying regulations have been finalized for decision by the Council of Ministers. The establishment of an online movable collateral registry is proceeding quickly. The Government of Mozambique has also enacted regulations for Insolvency Administrators (Decree 36/2019) that establish a new insolvency regulator, licensing process, and a code of conduct and disciplinary procedures.

**10. The Ministry of Land, Environment, and Rural Development's (MITADER) One District–One Bank Initiative and the opening of bank and non-bank agents have improved access to financial services in Mozambique.** The One District–One Bank Initiative—which promotes the expansion of financial services to all districts in Mozambique—supported the establishment of bank branches in 21 new districts, serving 60,000 new clients. It is estimated that 90 percent of districts will be served by 2022. The initial target of 100 percent is unlikely to be met due to infrastructure constraints and lack of commercial viability in remote districts, which can be better served by bank agents and mobile money. From 2015 to 2018, more than 1,100 bank agents and 43,000 mobile-money agents commenced work.

## **MAIN CONSTRAINTS/IMPEDIMENTS TO BROADER FINANCIAL INCLUSION**

**11. Despite impressive progress, many obstacles remain to achieving broad-based financial inclusion, particularly in rural areas where basic infrastructure is lacking.** Impediments include

- (i) limited penetration of bank branches and agents outside of urban areas due to, among other factors, problems of commercial viability and lack of basic infrastructure (for example, roads, electricity, telecommunications services, and so forth), noted above;
- (ii) low customer awareness of the benefits of financial services;
- (iii) challenging liquidity management; and
- (iv) limited acceptance of digital payments by merchants.

**12. Customer due diligence for account opening is a significant impediment, as only 58 percent of the population has a national ID, and even fewer have the national tax ID (NUIT) that banks require.** Rural customers need to travel to district towns or major cities to obtain these IDs, lack birth certificates and other basic documents, and cannot make use of tiered know-your-customer (KYC) requirements for low-risk financial products. As a result, cash remains the preferred medium of exchange, particularly in rural areas. Just 30 percent of adults made or received electronic payments in 2017. The Government of Mozambique still makes many payments to individuals in cash, particularly to beneficiaries of social protection programs. Salary payments to teachers and civil servants are made electronically into bank accounts, but not to mobile wallets; recipients must travel long distances to the nearest bank branch to collect.

**13. The insurance sector is very small and underdeveloped, with penetration of just 1 percent and total annual premia of US\$20 million.** A micro-insurance regulation was enacted, but awareness among consumers is limited. Micro-insurance targeted at the lower-income population is at a nascent stage, and products offered are very restricted (primarily burial insurance). There have been limited pilot offerings of weather-based agricultural insurance, but lack of data and high costs are hindering its development.

**14. Insurance companies are finding it challenging to serve low-income customers profitably, and the**

**development of lower-cost digital business models is impeded because the Insurance Law does not recognize digital signatures.** There is general recognition of the need to update the 2015 Insurance law, including the definition of micro-insurance, as well as to review high stamp duties on nontraditional insurance products. The pension sector is underdeveloped: just 0.8 percent of the active population is covered, leaving most Mozambicans with no old-age income security.

**15. Capital markets are relatively shallow in Mozambique.** Deep and liquid money and public debt markets are important for monetary stability, which has an impact on financial inclusion. The government, with World Bank support, is working to improve the functioning of the primary market for government securities. This is important for the broader development of the financial sector, affecting the effective allocation of excess liquidity in the financial system and increasing the scope and availability of saving vehicles for the population.

## LOOKING FORWARD

**16. Phase II of the NFIS could focus in the short term on actions that can have a high impact on financial inclusion and improve the lives of ordinary citizens.**

There are several such measures where significant underlying analytical and preparatory work has been done and where there is scope for “quick wins.”

**17. “Quick wins” are defined as select actions that can result in significant progress in the next year, even if full implementation may require a longer-term effort.**

These are high-impact actions that the regulator can undertake within six to nine months to advance efforts toward meeting NFIS targets. These actions address important remaining challenges and include the following measures:

- (i) Establish a working group (WG) to consider introducing tiered KYC requirements in Mozambique to enable individuals who lack the full range of identification documents to open basic bank accounts.
- (ii) Facilitate the expansion of access points, notably bank and non-bank agents, by establishing a WG to review results of the recent study and propose solutions.
- (iii) Take steps toward ensuring full interoperability among banks and e-money issuers (that is, direct

transfers between mobile wallets and across various providers, and between mobile wallets and bank accounts) by strengthening the capacity of the payment switch (SIMO, Sociedade Interbancaria de Moçambique).

- (iv) Increase the use of digital financial services by digitizing government payment flows to social protection beneficiaries.
- (v) Improve the effectiveness of the NFIS coordination structure, including more active and effective WGs focused on the highest-priority actions.

The following section of the report includes identification of issues, stakeholders, recommendations, and potential impact on financial inclusion and potential impact on financial inclusion.

<sup>3</sup> Under this new legal framework, the World Bank Group is supporting the establishment of an online, centralized asset registry for movable assets to support asset-based lending. The registry is expected to go live in May 2020.

<sup>4</sup> World Bank, Global Findex Database.

## CUSTOMER DUE DILIGENCE AND TIERED KNOW-YOUR-CUSTOMER REQUIREMENTS

ISSUES	<p><i>Lack of identification documents:</i></p> <ul style="list-style-type: none"> <li>• Many individuals in Mozambique lack ID, proof of address, tax documents, and statements of income required to open bank accounts.</li> <li>• This represents a major obstacle to financial inclusion, particularly among lower-income groups and beneficiaries of social protection programs.</li> </ul> <p><i>Compliance, rather than a “risk-based” approach:</i></p> <ul style="list-style-type: none"> <li>• Despite flexibility in the existing regulations, banks are unwilling to use “risk-based” KYC without the Bank of Mozambique formally issuing tiers with defined identification requirements based on maximum transaction thresholds (for example, daily, weekly, monthly, or annual transaction or balance limits as is already the case for mobile wallets).</li> <li>• Supervisors require banks to justify any deviations from full customer due diligence and impose fines or other sanctions for noncompliance.</li> <li>• International anti-money laundering and countering terrorist financing (AML/CFT) standards provides for tiered KYC for lower-risk accounts following a national risk assessment.</li> </ul> <p><i>Savings groups:</i></p> <ul style="list-style-type: none"> <li>• Banks would like to hold accounts for savings groups, which constitute the primary means of savings for a significant number of Mozambicans.</li> <li>• As these groups are generally not formally registered as associations, banks can open accounts only in names of individual members.</li> </ul>
STAKEHOLDERS	BOM, GIFiM, DNIC, MEF, MININ, MJACR, MGCAS, INAS, AMB, IMEs, World Bank, DFID
QUICK WINS <sup>5</sup>	<ul style="list-style-type: none"> <li>• <b>Constitute a sub-working group to develop tiered KYC requirements and complete the AML/CFT national risk assessment.</b> Tiers of lower-risk accounts can be identified, with progressive limits on maximum account balances, transaction limits, and types of transactions/channels. Requirements for document retention for lower-risk customers should also be reviewed, particularly for bank agents. Alternative forms of ID for lower-risk accounts should be expanded beyond voter ID, driver’s license, and affidavits from referees to include documents issued by government agencies (for example, social protection agency), humanitarian agencies, or other.</li> <li>• <b>Consider a moratorium on tax ID (NUIT) for account opening.</b></li> <li>• <b>Consider solutions to enable banks to open accounts for savings groups.</b></li> <li>• <b>Consider establishing an interagency effort to expedite the universal rollout of the digital national ID.</b> Consider subsidizing or making IDs free of charge, at least for low-income Mozambicans.<sup>6</sup></li> </ul>
IMPACT	HIGH

## AGENT BANKING

### ISSUES

There are several issues that make agent banking—particularly in remote areas—relatively costly and unattractive to banks. These include the following:

- **Absence of basic infrastructure** (roads, electricity), which makes access and servicing of agents difficult and expensive.
- **Challenging** liquidity management, particularly in areas where there are no bank branches.
- **Banks' compliance policies**, the requirement to keep paper documentation, and reputational risks often don't allow agents to open accounts or process credit applications, limiting their usefulness to both banks and their customers.
- **Few potential agents** in remote areas meet Bank of Mozambique regulatory requirements.
- **Low agent earnings**, making the business unattractive to many potential agents, even as a supplementary source of income. This leads some to fraudulently try to extract extra fees from clients.
- **Regulatory requirements for bank agents** are tighter than for IME agents, creating an unlevel playing field.

### STAKEHOLDERS

BOM, AMB, IMEs, agents, GIZ, FSD Mozambique

### QUICK WINS<sup>5</sup>

- **Establish a sub-working group on agent banking and expansion of access points to review results of the recent study and propose solutions.** These may include, among other things:
  - (i) reviewing the agent banking regulation with a view to expanding bank agent networks;
  - (ii) introducing more flexible selection criteria and documentation requirements for bank agents;
  - (iii) introducing models that provide and distribute liquidity to agents;
  - (iv) considering tiered agents, with differing regulatory requirements depending on what services the agents can offer; and
  - (v) possibly expanding permissible activities.

### IMPACT

HIGH

<sup>5</sup>"Quick wins" are defined as actions under the control of the regulator that could be undertaken within six to nine months.

<sup>6</sup> See the ID4D initiative and Practitioners Guide, a global effort to develop a set of shared principles for identification systems for sustainable development, available at <https://id4d.worldbank.org/guide>.

<sup>7</sup>"Quick wins" are defined as actions under the control of the regulator that could be undertaken within six to nine months.

## PAYMENTS INTEROPERABILITY

ISSUES	<p>There are several reasons why it is necessary to ensure an efficient and interoperable retail payment systems infrastructure.</p> <ul style="list-style-type: none"> <li>• Currently, there is not full interoperability among banks and mobile-money operators, which reduces the utility and efficiency of the retail payments system.</li> <li>• The payment switch (SIMO) is critical to the planned universal interoperability, which will allow direct transfers of funds between mobile wallets across various networks/providers and between mobile wallets and bank accounts.</li> <li>• Full operationalization of the switch under the new service provider is important to avoid a negative impact on innovation (for example, product development) by banks and e-money providers.</li> <li>• A planned migration of mobile-money operators to the new switch may require additional capacity of the switch to accommodate the higher volume of transactions.</li> <li>• While mobile network operators allow access to bank mobile wallets on their networks, they do not allow access to other mobile wallets. Opening this up would allow for greater penetration of mobile wallets.</li> </ul>
STAKEHOLDERS	BOM, INCM, AMB, IMEs, mobile network operators
QUICK WINS <sup>8</sup>	<ul style="list-style-type: none"> <li>• <b>Expedite transition to the new national switch provider and strengthen SIMO's capacity to lead the transition to an interoperable payment system.</b></li> <li>• <b>Until the new switch is fully operational and able to accommodate all bank and mobile wallet transactions, encourage bilateral arrangements for interoperability of banks/mobile-money operators.</b></li> <li>• <b>Review competition aspects of “over-the-top”<sup>9</sup> arrangements to encourage maximum account penetration.</b></li> </ul>
IMPACT	HIGH

<sup>8</sup>“Quick wins” are defined as actions under the control of the regulator that could be undertaken within six to nine months.

<sup>9</sup> Ensuring that all mobile network operators grant access to their network to unaffiliated IMEs.

## DIGITIZING FINANCIAL SERVICES

ISSUES	<p><i>Social Protection Payments:</i></p> <ul style="list-style-type: none"> <li>• The National Social Action Institute delivers most social transfers in cash and lacks the ability to pay directly into mobile wallets. To address this, the Ministry of Social Protection and Gender plans pilots to               <ul style="list-style-type: none"> <li>— Deliver basic social allowances to beneficiaries in Nampula (90,000) and Gaza (18,500) via digital payments;</li> <li>— Allow beneficiaries to choose their preferred payment-receipt method (including mobile wallets) in Sofala (5,000); and</li> <li>— Over time, expand digital options to include all social transfer beneficiaries (500,000).</li> </ul> </li> <li>• However, most beneficiaries lack IDs, which they need to register SIM cards. Voter ID is the most common form of ID.</li> <li>• Recipients of disaster relief payments face many of the same obstacles.</li> </ul> <p><i>Pension Benefits</i></p> <ul style="list-style-type: none"> <li>• The National Social Security Institute pays 104,000 pensioners (approximately 99.8 percent) by bank accounts, but payments to mobile wallets are not allowed, limiting the options available to pensioners and making it more difficult for them to collect their pensions.</li> </ul> <p><i>Civil Servant Salaries</i></p> <ul style="list-style-type: none"> <li>• Most civil servants (90 percent) are paid through bank accounts, but payments to mobile wallets are not possible. This poses problems for some recipients (for example, teachers in rural areas) who must travel long distances to collect and contributes to high rates of teacher absenteeism.</li> </ul> <p>To address this, the Government of Mozambique is launching an effort to digitize government payments, with support from the World Bank, to increase the convenience and efficiency of government-to-person payments.</p>
STAKEHOLDERS	GOM, MEF, BOM, INAS, INSS, AMB, IMEs
QUICK WINS <sup>8</sup>	<ul style="list-style-type: none"> <li>• <b>Continue to leverage development-partner support to promote digitization of government payments.</b></li> <li>• <b>Establish a sub-working group on digitizing payment flows with a mandate to accelerate implementation of pilots and identify other large cash payment flows (government and private) that could be digitized.</b></li> </ul>
POTENTIAL IMPACT	HIGH

## NFIS COORDINATION STRUCTURE AND GOVERNANCE

### ISSUES

The success of the NFIS depends on the active engagement and commitment of policy makers, regulators, and the private sector. Improvements in coordination and governance arrangements for the NFIS are needed in order to deliver the ambitious targets of the NFIS. Issues include:

- The top two (policy) tiers of the NFIS are not operational.
  - The steering committee for the Financial Sector Development Strategy and the National Financial Inclusion Council have not been formally constituted.
  - The overall body coordinating policy that goes beyond the ambit of the financial regulators has not been operationalized.
- The WGs have very broad mandates and have not been as focused and effective as desired
  - WGs should be more accountable and focused on key issues. They should also have more autonomy to convene and pursue solutions within their respective mandates as defined by the Financial Sector Development Strategy Steering Committee/National Financial Inclusion Council.
  - It is proposed that the following sub-working groups be constituted under the existing WGs. The proposed new sub-working groups are listed with the existing WG under which they would operate. Possible leaders of the sub-groups are also suggested for consideration by WG members.

#### WG1: Access to and Use of Financial Services

*Sub-working group:*  
Customer Due Diligence and Tiered KYC

Proposed lead agency: **AMB**

*Sub-working group:*  
Expanding Financial Access Points

Proposed lead agency: **AMB**

*Sub-working group:*  
Digitizing Financial Services

Proposed lead agency: **BOM**

*Sub-working group:*  
Insurance and Pensions

Proposed lead agency: **AMs**

*Sub-working group:*  
Reducing the Gender Gap

Proposed lead agency:  
**Fundação Graça Machel,  
New Faces New Voices**

#### WG2: Strengthening Financial Infrastructure

*Sub-working group:*  
Payment Interoperability

Proposed lead agency:  
**Bank of Mozambique (DBP)**

#### WG3: Consumer Protection and Financial Literacy

*Sub-working group:*  
Financial Education and Consumer Protection

Proposed lead agency: **ISSM**

WGs should be comprised of key stakeholders, with a greater role for the private sector, working as a task force to deliver results.



STAKEHOLDERS	MEF, BOM, ISSM, AMB, AMS, MITESS, MITADER, MJACR, MOPHRH, UIE, AMOMIF, INE, INCM
QUICK WINS	<ul style="list-style-type: none"> <li>• The legal instrument establishing the coordination structure should be approved and submitted to the Council of Ministers.</li> <li>• The National Financial Inclusion Council should meet regularly, starting as soon as possible, to maintain momentum created by the mid-term review.</li> <li>• Thematic (sub-) working groups should be constituted.</li> <li>• The M&amp;E framework should be streamlined—for example, consider reducing indicators, establishing baselines, and adopting international definitions (World Bank, G20, Alliance for Financial Inclusion).</li> <li>• The NFIS Action Plan should be updated—for example, modifying actions to meet new demands and dropping those not considered priorities.</li> </ul>
POTENTIAL IMPACT	HIGH





## II. Findings of the NFIS Mid-Term Review

**18. The measures outlined in the preceding section were those identified as having the greatest potential to contribute significantly to financial inclusion in Mozambique.** This section of the report presents detailed findings of the mid-term review. It provides a summary of the assessment and recommendations regarding the NFIS Action Plan, M&E framework, and coordination/implementation structure. Details underpinning the analysis are contained in the annexes.

### OVERALL NFIS FRAMEWORK

**19.** The NFIS and its Action Plan are built upon a conceptual framework consisting of three pillars, described in figure 2.

*Figure 2: NFIS Pillars and Objectives*

#### **PILLAR I: Access and use of financial services**

**Objective:** Ensure the availability, proximity, and effective use of an adequate range of financial services by businesses and individuals in rural and urban areas.

#### **PILLAR II: Strengthening of financial infrastructure**

**Objective:** Strengthen the security and efficiency of the national payments system, credit-information infrastructure, and the framework for secured transactions.

#### **PILLAR III: Consumer protection and financial education**

**Objective:** Ensure that financial consumers are informed, knowledgeable, and protected.

### IMPLEMENTATION STATUS OF THE NFIS ACTION PLAN

**20.** The NFIS Action Plan in annex 1 lays out the priority actions and initiatives that were planned for the NFIS under each of the three pillars. The implementation status for each action is given in the same annex, based on information provided to the mid-term review missions, as well as a review of relevant documents.

**21.** The original NFIS Action Plan was based on consultations with public- and private-sector stakeholders during 2014–16. It also drew on several studies and surveys conducted in the country and was complemented by measures included in previous strategies, notably the Financial Sector Development Strategy and the Strategy for Rural Finance. It was intended to be a living document that would be amended from time to time as conditions warranted.

**22.** Considerable progress has been made toward implementing the Action Plan. Notable achievements include developing the requisite legal and regulatory structure for improvements in the payments, credit-information, and secured-transactions framework. Enactment of new laws is a time-consuming process, but the development of the NFIS is intended to give greater priority and urgency to policy making. Responsible parties should step up efforts to ensure timely enactment of important pending legislation.

**23.** Annex 1 summarizes the state of implementation of the specific measures contained in the NFIS Action Plan. Progress has been made on the implementation of most of the measures, but more needs to be done to complete implementation. Many actions have not yet started, either because they are not considered a priority or because no WG or agency assumed ownership of the task. Going forward, it will be important to ensure that the responsibility for pursuing all actions maintained in the Action Plan is assigned to designated agencies and WGs.

**24.** Annex 1 also lays out several recommendations for modifying the Action Plan for the second phase of implementation. It recommends dropping lower-priority actions. Modifications of existing actions and the addition of new ones are proposed to reflect the priorities identified in this report, including with respect to the “quick wins” outlined earlier.

**Table 2: Status of Implementation of Measures in the NFIS Action Plan 2016–19 (as of September 2019)** <sup>10</sup>

	Total	Completed	Ongoing <sup>a</sup>	Not started
Pillar I: Access to and Use of Financial Services	31	5	20	6
Pillar II: Strengthening Financial Infrastructure	8	2	4	2
Pillar III: Consumer Protection and Financial Literacy	15	1	12	2
<b>Total</b>	<b>54</b>	<b>8</b>	<b>36</b>	<b>10</b>

<sup>a</sup> Also includes continuous actions—that is, those that are ongoing but do not have a discrete deliverable or completion point, such as sensitizing the public to the importance of saving and other financial-education measures.

## ASSESSMENT OF THE M&E FRAMEWORK

**25. The M&E framework of the NFIS outlines high-level key performance indicators to help quantify and monitor progress in realizing national financial-inclusion policy objectives.** The framework includes baseline data (where available), targets, and the timeline for meeting them.

**Table 3: NFIS Headline Targets**

NO.	Indicators	Targets	
		2018	2022
<b>1</b>	Adults who have physical or electronic access to financial services provided by a formal financial institution (percent)	40	60
<b>2</b>	Districts with at least one access point to formal financial services (percent)	75	100
<b>3</b>	Adults who have a point of access to financial services within five kilometers of their place of residence or work (percent)	55	75

### ACCESS TO FINANCIAL SERVICES PROVIDED BY A FORMAL FINANCIAL INSTITUTION

**26. The first headline target is the percentage of the adult population with physical or electronic access to financial services provided by a formal financial institution: 40 percent by 2018 and 60 percent by 2022.** The Bank of Mozambique has defined physical or electronic access as having a bank account or e-money account. Available data indicates that the number of bank accounts as a percentage of the population has remained relatively flat or even declined slightly since 2016, while e-money accounts have been

rising. Measuring progress on this indicator has been challenging for several reasons.

**27. The first challenge is that banks and IMEs (instituições de moeda eletrónica, mobile-money operators) report only their overall number of accounts, so it is not possible to know the percentage of the adult population with accounts, as individuals can have more than one bank or mobile-money account.** In addition, many individuals with a bank account also have one or more mobile-money account. This makes it impossible to report a single number in line with the headline target (percentage of the population

that has access to financial services provided by a formal financial institution). Reporting the number of accounts as though each account represents a discrete individual results in overestimating the share of the population with access to formal financial services. In the absence of a unique national ID number, demand-side survey data is better at measuring the percentage of adults that have access to formal financial services.

**28. Consequently, the mid-term review recommends that the headline indicator measuring the percentage of the population that is formally served should use data and the definition from the 2014 and 2019 FinScope demand surveys (2018 data will be available in late 2019).** A third FinScope would need to be commissioned for 2022 to assess progress against the 2022 target. Supply-side data based on the number of accounts can be used as an intermediate indicator to gauge progress between surveys.

**29. The NFIS coordination structure may wish to consider having a sub-target for women, given the large gender gap<sup>11</sup> in financial inclusion in Mozambique.**

However, the initial NFIS Action Plan did not include any measures directed at promoting greater inclusion for women. The WG on gender needs to propose measures to help close this gap and may propose appropriate headline or core indicators.

## **DISTRICTS WITH AT LEAST ONE ACCESS POINT**

**30. The remaining two headline indicators measure physical access or proximity to financial services.**

Proximity is an important indicator, as research suggests that proximity to access points is critical for financial inclusion. For example, a recent study in Tanzania conducted by the Consultative Group to Assist the Poor shows that households are twice as likely to be active mobile-money users if they live within five kilometers of an agent.

**31. Based on the most recent data for the second headline indicator (percentage of districts with at least one access point to formal financial services), the mid-term target was not achieved.** MITADER has indicated it considers it unlikely that the target of 100 percent district coverage by 2022 will be achieved due to infrastructure and sustainability constraints.

**32. The 2018 actual is not significantly below target, and the two figures are not entirely comparable.** The number of districts increased during the first phase, making it more difficult to achieve the original targets. Some districts are very large, so having an access point does not guarantee physical proximity.

## **FINANCIAL SERVICES WITHIN FIVE KILOMETERS**

**33. The third indicator (five-kilometer proximity to home or work) is a more meaningful measure of proximity.** While data is currently not available on this indicator, once the Geographic Information System (GIS) database is operational, the authorities will have that information, which can be updated regularly. If this indicator is maintained, the NFIS will be able to track progress only from 2019 onward.

**34. GIS data will provide a valuable tool for tracking access and proximity.** GIS data will also be valuable for determining and addressing geographical gaps in the financial landscape.<sup>12</sup>

<sup>10</sup> The 2018 Financial Inclusion Report lists 54 actions, of which 8 have been completed, 23 are ongoing, 13 are continuous, and 10 have not been initiated. The original NFIS document also lists only 54 actions. This table reflects actions subsequently added to or incorporated within the NFIS.

<sup>11</sup> The 2018 Findex gives a gender gap of 18 percentage points in Mozambique, the third highest rate in Sub-Saharan Africa, where the average gap is 11 percentage points.

<sup>12</sup> For example, one commercial bank is working with the Post Office to colocate branch services in post offices and has announced a partnership with an IME to transact with its proprietary mobile-banking platform.

## RECOMMENDED REVISIONS TO NFIS HEADLINE INDICATORS

**35. Going forward, it is recommended that the definition and source of the first headline indicator be modified as shown in table 4.**

*Table 4: Recommended Revisions to NFIS Headline Indicators*

NO.	Target	Source	2014 (baseline)	2018 (actual)	2018 (target)	2022 (target)
1	Percentage of the adult population that is formally served	FinScope	24	33 <sup>1</sup>	40	60
2	Districts with at least one formal access point (percent)	BOM	54	69	75	100
3	Percentage of the population with a point of access to financial services within five kilometers of their place of residence or work	GIS	NA	NA	55	75

<sup>1</sup> In the absence of updated FinScope data, we use as a proxy the number of bank accounts for adults reported by the Bank of Mozambique. The results of the next FinScope survey are expected in early 2020 following completion of the 2018–19 survey

## PROGRESS ACHIEVED ON CORE INDICATORS

**36. Based on available data, the 2018 target has been met or exceeded for 14<sup>13</sup> indicators. (See annex 2.)**

There is 2018 data for the following indicators:

- ATMs per 100,000 adults
- ATMs per 10,000 square kilometers
- POS per 100,000 adults
- POS per 10,000 square kilometers
- Number of IME agents per 10,000 square kilometers
- Percentage of the adult population with a deposit account in a regulated financial institution (based on number of accounts as a proxy)
- Percentage of men with a deposit account in a regulated financial institution (based on number of accounts)
- Percentage of women with a deposit account in a regulated financial institution (based on number of accounts)
- Deposit accounts in a regulated financial institution per 100,000 adults
- Percentage of adult population with an insurance product
- Stock exchange capitalization/GDP
- Number of students familiar with capital markets
- Population living in districts with at least one access point
- Percentage of population with an account in an IME (based on number of accounts as a proxy)

**37. Many of these are important indicators, notably with respect to access and usage.** However, some of the numbers provided do not reliably measure the indicator as stated (for example, number of accounts used rather than percentage of the population).

## GAPS IN M&E FRAMEWORK FOR CORE INDICATORS

**38. There are several issues that constrain a full assessment of progress under the existing M&E framework.** Key issues include the following:

- Some indicators have data for a single year (2015 or 2018) or data for both years from different sources. It is problematic to use different sources for different years, because the methodology used is different, so the sources will give inconsistent results. For all indicators retained, it will be desirable to have a single data source for the baseline, 2018, and 2022.
- Certain indicators (for example, credit or deposits/GDP) are important indicators of financial depth but have little to do with financial inclusion. Similarly, indicators dealing with the stock exchange (capitalization, number of investors) are not particularly relevant to financial inclusion in Mozambique, as likely investors are restricted to a small group of higher-income Mozambicans who are already financially included. It is recommended that these indicators be dropped.

- Data on private-sector credit to micro, small, and medium-size enterprises (MSMEs) does not appear to be readily available. Enterprise surveys are one potential source of data on MSMEs but are too infrequent in Mozambique to be a useful tool for monitoring progress under the NFIS. There was a significant lag between the most recent Enterprise Survey in Mozambique (2018) and the previous one (2007). If MSME credit is considered an important element of the NFIS, after consultation with the industry, the regulator should consider including this information in the off-site reporting requirements of financial institutions.
- Data at the household level is generally not available from financial institutions, regulators, Findex, or FinScope. Household surveys or the census can provide this information, but these are too infrequent to be useful in this instance.
- FinScope data is available for 2014, and the planned 2019 FinScope survey will provide 2018 data, but it is not available yet. Provided that FinScope is also contracted to conduct a survey in 2022, it would be a good source of demand-side data for many indicators.

## KEY RECOMMENDATIONS FOR IMPROVING THE M&E FRAMEWORK

**39. The mid-term review recommends that the M&E framework be revised to ensure that indicators reflect the actual data measured and that reliable, consistent data is available for all indicators.** WGs and the Technical Implementation Unit should also review the 2022 targets considering performance to date. Some of the end targets appear overly ambitious, while others appear modest and could be revised upward. For demand-side data, it is recommended that FinScope data be used (2014 as baseline, 2018 for the mid-term, and a third survey to be conducted in 2022). Supply-side data can be used in the intervening years as a reasonable proxy.

**40. For the remaining period of the strategy, it will be necessary to drop, modify, or substitute indicators (or collect additional data) for those indicators where the requisite data is unavailable.** The current number of core indicators is too high. Those that are not critical or are redundant should be dropped. Annex 2 provides data, where available, for the core indicators and recommends indicators that should be dropped or modified based on gaps identified.

<sup>13</sup> This number counts the number of accounts as a proxy for the percentage of the population, so it may be overstated









## Annex 1: NFIS Action Plan – Detailed Status and Recommendations

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**41. The Action Plan lays out the priority actions and initiatives that were planned for the NFIS under each of the three pillars.** The implementation status for each action is based on information provided to the mid-term review missions and a review of relevant documents. The Action Plan contains the designated lead institution as well as a proposed deadline for implementation.

**42. Each of the three pillars is further subdivided into objectives, and at the end of each sub-section, summary comments and recommendations are provided.** A summary of key recommendations is included at the end of each section.

**43. As documented below, action has been taken on most of the measures in the Action Plan, even if in many cases more needs to be done to complete implementation.** In instances where no action has been initiated, often it is because no WG or agency appears to have assumed ownership of the task. The first column indicates the proposed or recommended status for the second stage of the strategy, including actions that are ongoing, actions that need to be amended, actions that could be dropped to focus on higher-priority items, completed actions, or proposed new actions. Where changes are recommended, they are given below the original action. The proposed leader and WG<sup>14</sup> are also provided.

<sup>14</sup> In a few cases, there is no WG assigned to the action, as responsibility lies with the leader, the Technical Implementation Unit, or a higher Level of the coordination structure.

## PILLAR I: ACCESS TO AND USE OF FINANCIAL SERVICES

No.	Actions and status	Implementation status	Leader	Proposed deadline
A)	Objective: Expand and diversify the network of financial services access points			
1	<p>Promote the broad implementation of Notice 3/2015 on the regime for access and undertaking of bank agent activities.</p> <p><u>Amend.</u> Review and amend, as necessary, regulations on agent banking, taking on board findings of FSD Mozambique study on agent banking, including the following:</p> <ul style="list-style-type: none"> <li>• Leveling the playing field between bank and non-bank agents by harmonizing regulations, KYC requirements, document retention, and so on, for comparable transactions, with a view to expanding agent networks</li> <li>• Introducing more flexible selection criteria and documentary requirements for bank agents</li> <li>• Introducing models that provide and distribute liquidity to agents</li> <li>• Specifying risk-management measures for bank and non-bank agents</li> </ul>	<p><u>Completed</u> ✓ The legal and regulatory framework for bank agents has been in place since 2015; however, takeup (particularly for bank agents) has been slower than anticipated. A study was recently completed to determine the reasons for the slow takeup by banks; it recommended several tactical and strategic changes to expand agent networks.</p>	BOM	June 2020 for amended action item
2	<p>Based on the geospatial mapping, define the possible regulatory measures to complement the future network of agents in disadvantaged areas, such as the setting up of light agencies.</p>	<p><u>Ongoing.</u> The Bank of Mozambique signed a memorandum of understanding with the Ministry of Transport and Communications with respect to mapping points of access to financial services, including bank branches, ATMs, POS, bank agents, e-money providers, and microfinance institutions. Two staff from the Bank of Mozambique and selected representatives of financial institutions have been trained to use the platform. Data input is underway, and Initial mapping is expected to be completed during the second half of 2019. It appears that points of access for insurance will not be included in the initial mapping.</p>	BOM	TBD

**Assessment and recommendations:** Both of these activities are considered high priority, and prompt action has been taken to implement them. That said, take-up on the new agent banking rules has fallen short of expectations. The initiative to investigate the reasons for this is welcome, and conclusions should be taken on board to bring changes to the terms and conditions, if warranted. With respect to the second action, the geospatial mapping should be completed in the coming weeks, which will inform future policy measures. Insurance outlets should be incorporated, if possible.

<b>B)</b>	Objective: Improve the legal and regulatory framework for the expansion of financial products and services			
<b>i)</b>	Payment services			
<b>3</b>	Create, regulate, and promote the simplified bank account.	<u>Ongoing</u> . A law has been drafted and a matrix established covering the simplified bank account, including consumer rights and sanctions, but it has not yet been enacted.	BOM	TBD
<b>4</b>	Propose the specific regulation on the opening and use of bank accounts, including the minimum age.	<u>Ongoing</u> . A draft law and matrix have been prepared, which establishes basic consumer rights and sanctions and reduces the minimum age for opening a bank account from 21 to 16.	BOM	TBD
<b>NA</b>	Complete national risk assessment for AML/CFT.	<u>New actions</u>	GIFIM, BOM, MJACR, MININ	March 2020
<b>NA</b>	Develop and implement a tiered KYC regime.	<u>New actions</u>	BOM	TBD
<b>5</b>	Promote electronic payments.  <u>Amend</u> . Promote electronic payments through measures to encourage merchant acceptance, ATMs, digitizing government-to-person, person-to-government, and other large payment flows, and so forth.	<u>Ongoing</u> . Circular 2/EP/2018 establishes contracting and usage terms for POS terminals. The Notice of Charges and Fees allows limited free transactions per month, including POS and ATM transactions. This measure was intended to encourage transactions but is contested by banks, which believe it will ultimately discourage investment in POS and ATMs. In the past, both merchants and clients paid POS fees, which discouraged usage. KFW has entered into an agreement to purchase some POS machines that will belong to SIMO and be installed in rural areas. There have been many recent innovations in the space involving QR codes and mobile payments, which are less costly than POS, so this action should be expanded to include other merchant-acceptance means going forward.	BOM, MIC	Dec. 2020

## PILLAR I: ACCESS TO AND USE OF FINANCIAL SERVICES

No.	Actions and status	Implementation status	Leader	Proposed deadline
6	<p>Establish a single legal framework for the activity of issuing electronic money.</p> <p><u>Amend.</u> Pass and enact decree on Regulation of Payment Service Providers and prepare associated regulations.</p>	<p><u>Ongoing.</u> A draft decree on the Regulation of Payment Service Providers has been prepared, but not yet approved by cabinet. The decree will cover all types of payment service providers, including e-money providers, cash-transfer operators, microbanks, banks, and so on. It is expected to be approved in 2019.</p>	BOM	March 2020
7	<p>Improve the regulatory framework to ensure efficiency, competition and security of electronic transactions in the financial system.</p> <p><u>Amend.</u> Combine with preceding action on electronic money.</p>	<p><u>Ongoing.</u> See above. The intention of the decree and associated secondary legislation is to provide the legal basis to ensure greater efficiency, competition, and security of payments. A review of the legal framework was conducted under the Financial Inclusion Support Framework, and a workshop on gaps and recommendations was held in 2017. A draft Vision for Retail Payments has been prepared but has been under revision for over a year.</p>	BOM	March 2020
8	<p>Establish a legal, regulatory and supervisory framework for the international and domestic money-transfer activity.</p>	<p><u>Ongoing.</u> A study on remittances was completed in 2015, which provided recommendations in this area. Once the decree covering the Regulation of Payment Service Providers is enacted, money-transfer institutions and associated activities shall be approved by notice.</p>	BOM	TBD

No.	Actions and status	Implementation status	Leader	Proposed deadline
ii)	Insurance			
9	Develop and expand micro-insurance products targeted at MSMEs.	<u>Completed</u> ✓ There has been some limited development of micro-insurance products, which have been largely limited to funeral insurance to date. This is a logical first step, as it is simple to set up and explain to potential customers. A decree was recently passed increasing the minimum capital required of insurance companies to strengthen their financial capacity. To promote development of micro-insurance, the minimum capital of micro-insurers was kept unchanged. Micro-insurance products are typically targeted at individuals, not MSMEs, so perhaps this action should be dropped. MSMEs are more typically consumers of traditional insurance products.	ISSM, AMS	<u>Completed</u> ✓
NA	Review and revise the legal and regulatory framework for insurance (including micro-insurance) and pension sector.	<u>New actions</u>	ISSM, AMS	Dec. 2020
10	Create insurance services based on the mobile telephone..  <u>Amend.</u> Create mobile phone-based insurance products and distribution once digital signatures have been recognized in the amended insurance law.	<u>Ongoing</u> . While six insurers have arrangements for payment of premiums and claims via mobile phone, and one is piloting the sale of insurance via text messaging, the current insurance law does not recognize digital signatures. This gap must be addressed in legislation for insurers to enter into insurance contracts by mobile phones. The 2018 Financial Inclusion Report classifies this action as “completed.”	ISSM, AMS	TBD

## PILLAR I: ACCESS TO AND USE OF FINANCIAL SERVICES

No.	Actions and status	Implementation status	Leader	Proposed deadline
11	<p>Develop a regulatory framework for the expansion of simplified micro-insurance products.</p> <p><u>Amend.</u> Review recent regulatory framework for micro-insurance in the context of an overall review of the legal and regulatory framework for insurance. Review limits on micro-insurance products, which are considered too low by the industry.</p>	<p><u>Ongoing.</u> A basic regulatory framework for micro-insurance has been established with the issuance of Notice 3/ISSM/2015 on micro-insurance, issued under the Insurance Law. This notice allows for the creation of micro-insurance companies. One micro-insurer (NBC) has opened under this notice, while five conventional insurers have applied for authorization to offer micro-insurance. (One has been approved.) According to industry sources, the current ceilings for micro-insurance are too low to be relevant and need to be raised.</p> <p>A workshop co-hosted by the Bank of Mozambique, ISSM, World Bank, and the Mozambique Insurers Association was held to familiarize insurance companies with the 2015 notice. Following the workshop, it was recommended that a consultant be hired to establish a roadmap for rolling out micro-insurance products over the next 18 months, but funding for this has not yet been secured. The 2018 Financial Inclusion Report classifies this action as “completed.”</p>	ISSM	TBD
NA	Review tax treatment of insurance products (stamp duties).	<u>New actions</u>	MOF, ISSM, AMS	TBD
NA	Identify potential agricultural value chains that could serve as pilots for agricultural insurance.	<u>New actions</u>	AMS	TBD
NA	Seek solutions for small pensions to cover the large uncovered population.	<u>New actions</u>	AMS, INAS	TBD
12	Strengthen ISSM’s supervision capacity.	<p><u>Ongoing.</u> AISSM has entered into an arrangement with the World Bank to strengthen ISSM’s capacity. Consultants are coming quarterly to assist ISSM in developing its risk-based supervision. Supervisory support instruments, such as a licensing manual and risk-analysis tools, have been developed.”completed.”</p>	ISSM	Ongoing

No.	Actions and status	Implementation status	Leader	Proposed deadline
iii)	Rural finance			
13	Create a regulatory framework for funding based on warehouse receipts.	<u>Not started.</u> The Commodities Exchange has issued 115 warehouse receipts, but no bank financing has been obtained to date using these documents. As no action has been taken, the activity should be dropped.	BOM	<u>Drop</u>
14	Promote registration campaigns of nationals and provision of identification documents.	<u>Ongoing.</u> Progress on this has been mixed, and most individuals in Mozambique continue to lack identification documents.	MJACR	TBD
iv)	Housing finance			
15	Develop a national strategy for home loans.	<u>Not started.</u> No information is available on the status of this action. As no action has been taken, the activity should be dropped.	FFH	<u>Drop</u>

**Comments and recommendations:** Considerable progress has been made toward implementing the Action Plan in terms of improving the legal and regulatory framework for the expansion of financial products and services, even if certain key pieces of legislation remain pending. Enactment of new laws is a time-consuming process, particularly if extensive consultation and revisions are required, but the development of the NFIS is intended to give greater priority and urgency to policy making.

The responsible parties should continue efforts to ensure timely enactment of pending legislation and Notices on Basic Bank Accounts and Payment Service Providers. Going forward, actions should be less restrictive and more generic to consider the rapid pace of innovation (for example, electronic merchant payments rather than POS). It is also important to seek stakeholder buy-in and finalize the Retail Payments Vision before it becomes too dated.

Based on industry consultation, a complete overhaul of the legal and regulatory framework of the insurance industry is required to overcome obstacles—something that was not envisaged initially. In order to achieve scale, it is recommended that Mozambique undertake an analysis to see if insurance coverage could be provided to an agricultural supply chain, as has been done in some neighboring countries (for example, Kenya and Zambia).

For rural finance (creation of a regulatory framework for warehouse receipts) and housing finance, these actions appear to be orphans within the NFIS, with no one assuming responsibility for implementing them (although some action outside the NFIS has occurred with the Commodities Exchange for warehouse receipts). It is therefore recommended that the responsibility for investigating and pursuing these actions be assigned to designated agencies or WGs or that they be dropped from the Action Plan. Where the Bank of Mozambique is the designated leader, it would be helpful to indicate the department or division responsible to ensure that no efforts fall through the cracks.



## PILLAR I: ACCESS TO AND USE OF FINANCIAL SERVICES

No.	Actions and status	Implementation status	Leader	Proposed deadline
<b>C)</b>	Objective: Develop a range of products for MSMEs, the low-income population, and farmers			
<b>i)</b>	Mass payment service			
<b>16</b>	Payment to pensioners and INSS beneficiaries by electronic means.	<u>Ongoing</u> . INSS contributes significantly to financial inclusion in Mozambique. It currently has 1,411,233 people registered in its system (including 486,858 active beneficiaries and 71,878 pensioners), and all payments are made electronically into bank accounts of the beneficiary's choice. INSS can currently disburse only to bank accounts.	INSS	TBD
<b>17</b>	Pay the beneficiaries of the Social Action money-transfer programs by electronic means.	<u>Ongoing</u> . An assessment was conducted under the Financial Inclusion Support Framework on digitization of INAS social benefit transfers to over 400,000 beneficiaries, with a potential scale-up to 1.5 million. Payments can be made indirectly to mobile-money accounts through banks. A pilot, undertaken in conjunction with the World Bank, is scheduled for the autumn of 2019. It will enable social protection payments in piloted regions to be paid to the bank or mobile-money account of the beneficiary's choice.	MGCAS	Dec. 2019
<b>ii)</b>	Insurance services			
<b>18</b>	Develop micro-insurance products targeted at MSMEs, farmers, informal importers (mukeristas), sellers in markets, and the low-income population.	<u>Ongoing</u> . Funeral insurance is currently the only micro-insurance product available. Interest is emerging in medical micro-insurance, although this is not currently offered. There is also renewed interest in weather-index insurance, with support from the World Bank Group, but several constraints need to be addressed, including the lack of reliable georeferences. There will need to be capacity building and education on both the supply and demand side targeted products of the types mentioned can be developed. The International Finance Corporation is supporting this and has provided financing to one insurer and is in advanced negotiations with a second. Total volumes to date are very small, and it is thought that targeting an entire agricultural supply chain might yield more significant results, so consideration should be given to dropping this action.	MGCAS	<u>Drop</u>



No.	Actions and status	Implementation status	Leader	Proposed deadline
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iii) Credit, savings, and payment services

19	Develop financing, savings, and payment products that are adequate to the low-income population, MSMEs, and farmers.  <u>Amend.</u> to include savings groups (ASCAs).	<u>Ongoing.</u> The Bank of Mozambique created a task force with DNIC, Registro e Notariado, and Autoridade Tributária, to guarantee access to banking services for agricultural producers in Tete, Niassa, Zambézia, and Manica as part of the activities associated with this action.	BOM, AMB, IME	TBD
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**Comments and recommendations:** It will be important to address constraints and obstacles to further development of successful products and to provide requisite capacity building to providers. One such constraint is the absence of seamless interoperability of mobile and other payment providers. In terms of insurance, several obstacles were cited, including high stamp duties, the lack of an insurance ombudsman to promote consumer protection and confidence, the lack of reliable georeferences (GIS and GPS), improved transparency and financial reporting, and the absence of pension products targeted to the informal sector. The WGs should focus initially on identifying and addressing such obstacles and capacity constraints.

D) Objective: Increase the level of information on financial inclusion

i) Capacity of financial institutions

20	Collect additional and relevant statistics to compile financial-inclusion indicators.  <u>Amend.</u> Ensure that M&E indicators are based on data that is available and will be available going forward. Make use of demand-side data that provides information that is not available from supply-side data even if it is not available with the same frequency as supply-side information. For certain gaps (for example, MSME and gender-disaggregated data), work with financial institutions to determine how additional data can best be collected.	<u>Completed.</u>  Information on the National Payments System received from the Credit Institutions is being compiled by the Bank of Mozambique. In addition, the census is including for the first time five questions on financial inclusion. The results of the census are not yet available but should be published by the end of 2019. However, it will not be conducted again for another decade. Other efforts to collect additional information and statistics appear to have been limited during the first two years of the NFIS, and data constraints remain an impediment to monitoring progress accurately. More effort should be made on gathering disaggregated data by gender or MSMEs, for example.	BOM, ISSM, TIU	Continuous
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## PILLAR I: ACCESS TO AND USE OF FINANCIAL SERVICES

No.	Actions and status	Implementation status	Leader	Proposed deadline
21	Hold knowledge-dissemination events (workshops and training programs) on business models targeted at the low-income segments, farmers, or MSMEs, and the respective risk-management models.	<u>Ongoing</u> . Several knowledge-dissemination events have been held, including a workshop on micro-insurance (2017); a workshop supporting the Ministry of Justice on movable collateral law; a workshop on the Retail Payments Vision; a capacity-building workshop for the Bank of Mozambique on market conduct; and so forth.	BOM, ISSM, AMB, AMS	Continuous
22	Establish mechanisms to train insurance market professionals (actuaries).	<u>Completed</u> ✓. There have been several initiatives to train actuaries, and there is a government-run school.	ISSM, AMS	<u>Completed</u> ✓
ii)	Information on the potential market			
23	Carry out a study on mass payment flows in the private sector that can be computerized.  <u>Amend</u> : Carry out a study on mass payment flows in the public and private sectors that can be digitized.	<u>Not started</u> . Does not appear to have been implemented.	BOM	TBD
24	Carry out a diagnosis study on the domestic and international transfer market.	<u>Ongoing</u> . Completed for international transfers but not yet done for domestic transfers.	BOM,	TBD
25	Conduct a study on financial inclusion based on a demand-driven approach.  <u>Amend</u> : Conduct a demand-side survey on financial inclusion (FinScope) in 2019 and 2022–23.	<u>Ongoing</u> . A third FinScope study was undertaken in 2018–19. One should be undertaken also in 2022–23 to have final demand-side data for the NFIS.	BOM	2022
26	Carry out a diagnosis on the leasing market.	<u>Not started</u> . Leasing offers a potentially attractive way to finance MSMEs, but it requires an appropriate legal and tax framework. Consider dropping from the Action Plan to focus on higher-priority areas.	BOM	<u>Drop</u>
27	Carry out a diagnosis on the factoring market.	<u>Not started</u> . Like the leasing market, the factoring market can be a good source of financing for MSMEs. Consider dropping from the Action Plan to focus on higher-priority areas.	BOM	<u>Drop</u>

No.	Actions and status	Implementation status	Leader	Proposed deadline
28	Evaluate the existing initiatives for rural finance, to improve and identify synergies with private initiatives.	<u>Not started</u> . Not in MITADER's work program for 2019. They have suggested undertaking this evaluation in 2020. The 2018 Financial Inclusion Report classifies this action as "ongoing."	MITADER	Dec. 2020
iii)	Eligibility of MSMEs			
29	Strengthen the capacity (in management, accounting, and planning) of MSMEs and their linkages to the market structures (associations and supply chains).	<u>Ongoing</u> . IPEME has several programs to promote capacity building at MSMEs, including a program to bring small and medium-size enterprises (SMEs) together with potential financiers, identifying the most appropriate credit lines, and helping SMEs with their business plans. IPEME is constrained by staff and resource constraints, however, with a staff of 50 serving an estimated 50,000 SMEs. GIZ has undertaken several programs aimed at women-owned MSMEs, stressing sustainable business models. Since resources are lacking within NFIS or government for this activity, consider dropping.	IPEME	<u>Drop</u>
iv)	Indicators of financial inclusion			
30	Implement a regime of information to identify the credit portfolio for MSMEs.  <u>Amend</u> : Discuss with AMB possible modalities for tracking MSME portfolios.	<u>Ongoing</u> . Banks do not systematically report their MSME credit portfolios, so it is difficult to monitor trends or progress. The last World Bank enterprise survey was in 2018. A decision should be taken in coordination with AMB on how to better track MSME credit.	BOM, TIU, AMB	TBD
31	Institute the annual report on financial inclusion.	<u>Completed</u> ✓. The first three reports (2016, 2017, and 2018) have been published.	BOM	Continuous

**Comments and recommendations:** The implementation of recommendations to increase the level of information available on financial inclusion has been spotty. In addition, the absence of timely and reliable financial-inclusion data makes it difficult to monitor progress toward financial inclusion and assess the impact of the NFIS. There are informational gaps on both the supply and demand side. It is recommended that actions under this objective be reviewed with a view to determining which measures are critical to the strategy and ensuring that a group is assigned to work on implementation, while dropping those no longer considered a priority.









## PILLAR II: STRENGTHENING FINANCIAL INFRASTRUCTURE

No.	Actions	Implementation status	Leader	Timeframe
<b>A)</b>	Objective: Expand and diversify the network of financial services access points			
<b>32</b>	Develop the regulation for companies operating the payment services.	<u>Ongoing</u> . The Decree Governing Payment Service Providers has been prepared and is undergoing extensive consultation. Once approved by cabinet, regulations will be prepared and notified covering the different categories of payment providers.	BOM	TBD
<b>NA</b>	Ensure smooth rollout of the new service provider for SIMO. Review governance and capacity of SIMO to ensure it is adequately equipped to handle projected volumes of all retail payment providers.	<u>New actions</u>	BOM, SIMO, AMB	TBD
<b>NA</b>	Ensure effective interoperability among all banks and non-bank payment providers, including IMEs. <sup>15</sup>	<u>New actions</u>	BOM, SIMO, AMB, IMEs	Dec. 2020
<b>B)</b>	Improve the infrastructure for healthy credit expansion			
<b>NA</b>	Pass the law on private credit bureaus.	<u>New actions</u> . The new Private Credit Information Law (Law 6/2015 of October 6, 2015) has been passed, along with accompanying Decree 11/2016. This measure was not in the initial NFIS but was added subsequently.	MJACR, MEF, BOM	<u>Completed</u> ✓
<b>33</b>	Improve the regime for conveying information to the central register to ensure that there is updated information about borrowers.	<u>Completed</u> ✓. Notice 5/GBM/2016 was issued, requiring credit-information bureaus to send periodic information to the Bank of Mozambique.	BOM	<u>Completed</u> ✓
<b>34</b>	Establish a register for movable security.	<u>Ongoing</u> . The World Bank's Financial Inclusion and Stability Project will finance the establishment of an online, centralized asset registry for movable assets to support asset-based lending.	MJACR, BOM	April 2020
<b>35</b>	Create a legal framework for the use of movable security and streamline the Secured Transactions Law.	<u>Completed</u> ✓. The Secured Transactions and Collateral Registry Bill was approved by Parliament in November 2018. The regulations are being finalized and will be submitted to the Council of Ministers in 2019.	MJACR, BOM	<u>Completed</u> ✓

<sup>15</sup> There is limited interoperability between bank accounts and mobile wallets, based on bilateral partnerships between banks and mobile-money providers. Full interoperability would require reliable and capable infrastructure provided by SIMO.

No.	Actions and status	Implementation status	Leader	Proposed deadline
36	Modernize, automate, and expand the coverage of fixed assets registers.	<u>Ongoing</u> . The World Bank's Financial Inclusion and Stability Project will finance the establishment of an online, centralized asset registry for movable assets to support asset-based lending.	MJACR, BOM	TBD
37	Carry out a diagnosis on the legal framework and the existing structure for the swift, fair, and out-of-court execution of securities.	<u>Not started</u> . No information is available on this action.	BOM	<u>Drop</u>
38	Carry out the mapping and diagnosis of guarantee funds for existing credit.	<u>Not started</u> .	BOM, AMB, IPEME	<u>Drop</u>
39	Establish a credit guarantee fund based on international best practices to promote credit to MSMEs and farmers.	<u>Ongoing</u> . MITADER has established a credit guarantee fund for agribusiness under the SUSTENTA Project and selected a management company. It is expected to issue its first guarantees in 2020.	BOM, AMB, IPEME	2020

**Comments and recommendations:** Progress has been made in developing the requisite legal and regulatory structure for improvements in the payments, credit-information, and secured-transactions framework, even if legislative efforts are behind the schedule originally envisaged. Various diagnostics proposed have not been initiated—these activities should be undertaken or dropped from the Action Plan. Any effort to extend new guarantee funds for MSMEs and farmers should ideally be contingent upon the mapping and diagnostic exercise envisaged. The objective should be to draw lessons learned from prior efforts in this domain.









## PILLAR III: CONSUMER PROTECTION AND FINANCIAL LITERACY

No.	Actions	Implementation status	Leader	Timeframe
A)	Objective: Expand and diversify the network of financial services access points			
40	Review and update Notice 5/GBM/2009.  <u>Amend.</u> Consider further revisions to Note 5/GBM/2009, restricting certain free transactions to simplified bank accounts.	<u>Completed</u> ✓, in June 2017 with issuance of Notice 13/GBM/2017 with respect to fees and Commissions, repealing earlier Notice 5/GBM 2009. Further review and revisions may be desirable.	BOM	TBD
41	Develop the Market Conduct Supervision methodology.	<u>Ongoing</u> . The Bank of Mozambique's Market Conduct is currently developing a methodology and a supervision manual. This is a relatively new field and few manuals exist, so the bank is looking to develop partnerships with other supervisors. It recently hosted a team from Romania.	BOM	TBD
42	Improve Notice 4/2009 to define minimum standards for the operation of channels to register and handle consumer complaints.	<u>Ongoing</u> . Review of this notice is underway, in line with the Consumer Protection Law approved by Decree 27/2016, which outlines general consumer protection procedures.	BOM	TBD
43	Establish standardized key facts statement for the most common consumer financial products.	<u>Not started</u> . Consider dropping to focus on higher-priority actions.	BOM	<u>Drop</u>
NA	Reform Law 15/1999 to include specific provisions on consumer financial protection.	<u>New action</u> . This measure is ongoing but was not in the initial NFIS.	BOM	<u>Completed</u> ✓
B)	Increase the range and quality of information made available to the public			
44	On the Bank of Mozambique's website, provide comparative information on commissions and other charges applicable to the main products of the retail market.	<u>Ongoing</u> . Not yet implemented, although regulations have been issued with respect to charges and commissions and standardized calculations thereof.	BOM	TBD
45	On the Bank of Mozambique's website, provide statistics on consumer complaints against financial institutions supervised by the bank.	<u>Ongoing</u> . Website under development	BOM	TBD

No.	Actions and status	Implementation status	Leader	Proposed deadline
C)	Increase the level of financial knowledge of specific segments of society			
46	Develop a single national strategy for financial literacy in Mozambique.	<u>Not started.</u> While individual institutions have developed financial-literacy programs focused on their specific sectors, there has been no concerted effort to develop a single national strategy. This should receive renewed focus going forward.	BOM, ISSM, BVM, MINEDH, MEF	Dec. 2020
47	Support financial inclusion through the dissemination to the people of the conditions for access to minimum banking services.	<u>Ongoing.</u> Meaning is unclear. Assuming the intent was to disseminate information on all financial services, and not just banking, various initiatives have been undertaken, including preparation of a brochure on insurance FAQs, participation in events such as financial-inclusion fairs and money week celebrations (including Child and Youth Finance International), educational spots on television, lectures at schools, and issuance of an insurance newsletter. The Bank of Mozambique has undertaken a financial-education program utilizing radio, television, and comic books, featuring the same characters in different media to strengthen retention. This program has been funded by GIZ.	BOM, ISSM, BVM, MINEDH, MEF	Continuous
48	Sensitize the people about the importance of saving.	<u>Ongoing.</u> A Savings Week was held, with various events to encourage responsible savings.	BOM,	Continuous
49	Promote and encourage knowledge and responsible financial attitudes.	<u>Ongoing.</u> See events and educational efforts above.	BOM, ISSM,	Continuous
50	Clarify to citizens the rights and duties of bank customers and financial institutions.	<u>Ongoing.</u> On the regulatory side, a Code of Conduct for Credit Institutions and Financial Societies was approved through Notice 2/GBM/2018 and a Regulation on Advertising of Financial Products and Services through Notice 3/GBM/2018. It does not appear that information about rights and duties has been widely disseminated to the general population.	BOM, ISSM,	Continuous

### PILLAR III: CONSUMER PROTECTION AND FINANCIAL LITERACY

No.	Actions	Implementation status	Leader	Timeframe
51	Contribute toward an effective and sound financial market.	<u>Ongoing.</u> This is overly broad for an action under the Action Plan. Arguably, virtually everything done by the Bank of Mozambique and ISSM contribute to an effective and sound financial market. Recommend dropping this from the Action Plan.	BOM, ISSM	<u>Drop</u>
52	Provide the people and companies information about the capital markets.	<u>Ongoing.</u> BVM has developed a four-year financial-education program 2017–20 to educate the population on capital markets. It includes training in schools, universities, training of journalists, and so on, with a target of educating 25,000 citizens. As BVM is really targeting those who are already financially included, this program is perhaps outside the scope of the NFIS. It is appropriate, however, to include basic information on capital markets in the context of the national financial-education strategy.	BVM	<u>Drop</u>
53	Promote the listing of companies, including MSMEs at the Stock Exchange.	<u>Ongoing.</u> While the law has not been changed, BVM has issued some new regulations to relax listing requirements— notably in reducing minimum listing requirement to 5 percent and doing away with requirement for four years of audited financial statements. These changes may favor potential new listed companies but at the expense of protections afforded to investors. Consider dropping. (See above regarding BVM.)	BVM	<u>Drop</u>
54	Undertake credit-counseling campaigns for customers with high debt problems, and encourage savings practices.	<u>Ongoing.</u> While the law has not been changed, BVM has issued some new regulations to relax listing requirements— notably in reducing minimum listing requirement to 5 percent and doing away with requirement for four years of audited financial statements. These changes may favor potential new listed companies but at the expense of protections afforded to investors. Consider dropping. (See above regarding BVM.)	BOM, MINEDH	<u>Drop</u>

**Comments and recommendations:** Many stakeholders have clearly made efforts to promote greater consumer protection and financial literacy, but a more focused national effort to disseminate information about consumer rights and duties and financial education would allow these efforts to be better targeted and leveraged. A dedicated WG or sub-group comprised of representatives from all relevant parties should be constituted with a mandate to spearhead this national initiative. It is further recommended that the Action Plan place greater emphasis on establishing and effectively implementing a robust financial consumer protection framework in line with global good practices. In terms of promoting listing of small and medium-size enterprises, it is recommended that BVM and Bank of Mozambique review experience elsewhere, which has generally been disappointing. Reducing listing requirements as has been done by BVM in lowering minimum free float to only 5 percent and relaxing requirements for audited financial statements may lead to inadequate protection of investors while not encouraging significant new listings. Alternatives such as private equity may make more sense for the relatively small number of small and medium-size enterprises that seek and can attract outside capital.







## Annex 2: M&E Framework – Detailed Status and Recommendations

**44. Table 5 shows current NFIS indicators with baselines, 2018 actuals, and targets for 2018 and 2022.** Baseline and/or 2018 actuals are given, in some cases, from three data sources: the Bank of Mozambique, FinScope, and Findex. A proposed source is given for future monitoring of each indicator. The table also proposes indicators to be dropped or amended. In most cases, recommendations to drop or amend an indicator are due to data constraints. It is also proposed that a new other category be added for indicators that are useful to follow for financial-sector depth or capital market development but are not core indicators for financial inclusion. It is recommended to drop 10 indicators, bringing the total number of indicators down to 27, of which five are other indicators.

Table 5: Current NFIS Indicators

Highlight indicates that 2018 actuals exceed target						
No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
Proximity (physical access)						
<b>1</b>	Financial services access points per 100,000 adults	BOM				
	Bank branches		4.2	4.5	4.5	4.9
	Bank agents		NA	1.9	28.3	44.0
	ATM		8.4	13.1	10.3	12.4
	POS		90.0	207.0	148.2	250.2
	IME agents		68.0	277.0	237.0	473.0
<b>2</b>	Financial services access points per 10,000 square kilometers	BOM				
	Bank branches		7.2	8.7	8.6	10.0
	Bank agents		N/A	3.7	34.5	50.0
	ATM		14.0	26.0	19.0	25.0
	POS		156.0	403.0	203.0	297.0
	IME agents		59.0	540.0	175.0	525.0
<b>3</b>	Districts with at least one financial services access point (percentage)	BOM	54.4	64.0	75.0	100.0
<b>4</b>	Adults living in districts with at least one access point (percentage)	BOM	73.3	970	90.0	90.0
<b>5</b>	<u>Amend.</u> Adults living within 30 kilometers of a financial service access point (percentage) <sup>16</sup> (baseline 2019)	BOM/ GIS	NA	NA	75.0	75.0



No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
Access to and use of accounts						
6	Adults with a deposit account in a formal financial institution (percentage)	FinScope				
	Bank of Mozambique (no. of accounts)		36.0	33.0 <sup>17</sup>	35.0	45.0
	Findex		NA	42.0		
	FinScope		24.0	NA		
7	Percentage of adult men with a deposit account in a formal financial institution <sup>18</sup>	FinScope				
	Bank of Mozambique (no. of accounts)		32.1	46.0	45.0	54.5
	Findex		NA	40.0		
	FinScope		28.0	NA		
8	Proportion of adult women with a deposit account in a formal financial institution	FinScope				
	Bank of Mozambique (no. of accounts)		13.5	19.0	25.0	35.5
	Findex		NA	26.0		
	FinScope		20.0	NA		
9	<u>Drop.</u> Households with at least one deposit account in a formal financial institution (percentage)					
	INE (2017 Census)		50.0	NA	70.0	90.0
	Findex		NA	NA		
	FinScope		NA	NA		
10	Adults with a loan or credit from a formal financial institution (percentage)	FinScope				
	Bank of Mozambique (no. of accounts)		5.1	6.3	7.5	10.5
	Findex		NA	5.7 <sup>19</sup>		
	FinScope		5.5	NA		
11	<u>Amend.</u> Adult men with a loan or credit card from a formal financial institution <u>Proposed change:</u> "number of loan or credit card accounts held by adult men"					
	Bank of Mozambique (no. of accounts)		5.1	6.3	7.5	10.5
	Findex		NA	5.7 <sup>19</sup>		
	FinScope		5.5	NA		

<sup>16</sup> In original NFIS, the distance is 30 kilometers. In the 2017 annual report, the figure is 5 kilometers, which is a better indicator.

<sup>17</sup> Proxy based on number of accounts for adults, men and women.

<sup>18</sup> The actual figure is a proxy based on the number of bank accounts.

<sup>19</sup> index figures on loans refer to those who have received a loan within the past 12 months.

Table 5: Current NFIS Indicators

Highlight indicates that 2018 actuals exceed target						
No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
12	<u>Amend.</u> Percentage of adult women with a loan or credit card from a formal financial institution <u>Proposed change:</u> “number of loan or credit card accounts held by adult women”					
	Bank of Mozambique (no. of accounts)		3.5	3.6	6.0	9.0
	Index		NA	NA		
	FinScope		NA	NA		
13	<u>Drop.</u> Households with at least one loan or credit card from a formal financial institution (percentage)		NA	NA	10.5	15.0
	INE (2017 Census)		7.5	NA	10.5	15.0
	Index		NA	NA		
	FinScope		NA	NA		
14	<u>Amend.</u> Adult population with an active account in an electronic money transfer institution <u>Proposed change:</u> “number of loan or credit card accounts held by adult women”					
	Bank of Mozambique (no. of accounts)		23.1	51.3 <sup>20</sup>	50.0	70.0
	Index		NA	21.9 <sup>21</sup>		
	FinScope		NA	NA		
15	<u>Amend.</u> Men with an active account in an electronic money transfer institution (adult, percentage) <u>Proposed change:</u> “Adult men with an active electronic money account (percentage)”					
	Bank of Mozambique (no. of accounts)		30.0	68.9	55.0	80.0
	Index		NA	27.0		
	FinScope		NA	NA		
16	<u>Amend.</u> Women with an active account in an electronic money transfer institution (percentage) <u>Proposed change:</u> “Adult men with an active electronic money account (percentage)”	BOM				
	Bank of Mozambique (no. of accounts)		16.2	34.9	45.0	70.0
	Index		NA	17		
	FinScope		NA	NA		

<sup>20</sup> Proxy based on number of accounts.<sup>21</sup> Index numbers refer exclusively to mobile-money accounts. It is unclear whether the Bank of Mozambique figures refer to other electronic money accounts. In any event, the overall Bank of Mozambique number is inconsistent with the breakdown by gender.

No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
17	<u>Drop.</u> Households with an active account in an electronic money transfer institution (2017 INE Census)					
	INE (2017 Census)		50.0	NA	75.0	90.0
	Findex		NA	NA		
	FinScope		NA	NA		
18	Deposit accounts in a regulated financial institution per 100 adults	BOM	24.1	32.7	30.0	35.0
19	Credit to MSMEs in proportion to the total bank credit to the economy.	BOM	32.1	6.3	40.0	50.0
20	<u>Drop.</u> Credit to MSMEs in proportion to the total bank credit to the economy.		NA	NA	5.0	7.0
21	<u>Drop.</u> Credit to MSMEs in proportion to the total bank credit to businesses		NA	NA	5.0	7.0
22	<u>Drop.</u> Credit to agriculture in proportion to the total bank credit to the economy		NA	NA	5.0	7.0
23	<u>Other.</u> Deposits in banks as a percentage of GDP <sup>22</sup>		48.0	43.0	55.0	72.0
24	<u>Other.</u> Bank credit as percentage of GDP		37.9	28.0	42.0	53.0
25	Balance in accounts of electronic money institutions as percentage of GDP	BOM	0.2	0.4	3.0	6.0
26	Proportion of the adult population with insurance product	FinScope	NA NA 5.0	8.0 NA NA	5.0	7.0
27	<u>Drop.</u> Proportion of MSMEs with insurance product		NA	NA	5.0	7.0
28	<u>Other.</u> Stock Exchange capitalization as a percentage of GDP		9.0	8.6	8.4	9.2
29	<u>Other.</u> Proportion of stock brokers related to banks		53.0	61.0	55.0	65.0
30	<u>Other.</u> No. of investors in capital markets		6,000	7,673	8,000	12,000

<sup>22</sup> Credit/GDP, deposits/GDP, and IME/GDP are overall financial-sector depth indicators, not specific to financial inclusion (and will not be heavily influenced by NFIS). Consider dropping going forward.

Table 5: Current NFIS Indicators

Highlight indicates that 2018 actuals exceed target						
No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
Financial literacy						
31	<u>Amend.</u> No. of financial products with which adults are acquainted <u>Proposed change:</u> [need to define/explain]	BOM	4.0	4.0	5.0	7.0
32	<u>Amend.</u> No. of basic financial conceptual questions answered correctly <u>Proposed change:</u> [need to define/explain]		NA	34.0	5.0	7.0
33	<u>Amend.</u> No. of students familiar with capital markets <u>Proposed change:</u> [need to define/explain]		NA	2.500	2.500	10.000

**THE REVISED NFIS INDICATORS PROPOSED IN THIS MID-TERM REVIEW ARE LISTED IN TABLE 6.**

Table 6: Revised NFIS Indicators

Highlight indicates that 2018 actuals exceed target						
No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
CORE INDICATORS						
Proximity (physical access)						
1	Financial services access points per 10,000 square kilometers	BOM				
	Bank branches		7.2	8.7	8.6	10.0
	Bank agents		N/A	3.7	34.5	50.0
	ATM		14.0	26.0	19.0	25.0
	POS		156.0	403.0	203.0	297.0
	IME agents		59.0	540.0	175.0	5250
2	Adults living in districts with at least one access point (percentage)	BOM	73.3	97.0	90.0	90.0
3	Adults living within five kilometers of a financial service access point (percentage) (baseline 2019)	BOM/ GIS	NA	NA	75.0	75.0

Table 6: Revised NFIS Indicators

Highlight indicates that 2018 actuals exceed target

No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
Access to and use of accounts						
4	Adults with a deposit account in a formal financial institution (percentage)	FinScope				
	Bank of Mozambique (no. of accounts)		36.0	33.0 <sup>23</sup>	35.0	45.0
	Findex		NA	42.0		
	FinScope		24.0	NA		
5	Adult women with a deposit account in a formal financial institution (percentage)	FinScope				
	Bank of Mozambique (no. of accounts)		13.5	19.0	25.0	35.5
	Findex		NA	26.0		
	FinScope		20.0	NA		
6	Adults with a loan or credit from a formal financial institution (percentage)	FinScope				
	Bank of Mozambique (no. of accounts)		5.1	6.3	7.5	10.5
	Findex		NA	5.7 <sup>24</sup>		
	FinScope		5.5	NA		
7	No. of loan or credit card accounts held by adult women (percentage)		NA	3.6	6.0	9.0
	Bank of Mozambique (no. of accounts)		3.5	3.6	6.0	9.0
	Findex		NA	NA		
	FinScope		NA	NA		
8	Adults with an active electronic money account (percentage)					
	Bank of Mozambique (no. of accounts)		23.1	51.3 <sup>25</sup>	50.0	70.0
	Findex		NA	21.9 <sup>26</sup>		
	FinScope		NA	NA		
9	Adult women with an active electronic money account (percentage)	BOM				
	Bank of Mozambique (no. of accounts)		16.2	34.9	45.0	70.0
	Findex		NA	17		
	FinScope		NA	NA		
10	Deposit accounts in a regulated financial institution per 100 adults	BOM	24.1	32.7	30.0	35.0
11	Credit to MSMEs in proportion to the total bank credit to the economy.	BOM	32.1	6.3	40.0	50.0

<sup>23</sup> Proxy based on number of accounts for adults, men and women.<sup>24</sup> Findex figures on loans refer to those who have received a loan within the past 12 months.<sup>25</sup> Proxy based on number of accounts.<sup>26</sup> Findex numbers refer exclusively to mobile-money accounts. It is unclear whether the Bank of Mozambique figures refer to other electronic money accounts. In any event, the overall Bank of Mozambique number is inconsistent with the breakdown by gender.

Table 6: Revised NFIS Indicators

Highlight indicates that 2018 actuals exceed target						
No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
12	Balance in accounts of electronic money institutions as percentage of GDP	BOM	0.2	0.4	3.0	6.0
13	Proportion of the adult population with insurance product	FinScope	NA NA 5.0	8.0 NA NA	5.0	7.0
Financial literacy						
14	No. of financial products with which adults are acquainted	BOM	4.0	4.0	5.0	7.0
HEADLINE INDICATORS						
Proximity (physical access)						
15	Financial services access points per 100,000 adults	BOM				
	Bank branches		4.2	4.5	4.5	4.9
	Bank agents		N/A	1.9	28.3	44.0
	ATM		8.4	13.1	10.3	12.4
	POS		90.0	207	148.2	250.2
	IME agents		680	277	237.0	473.0
16	Districts with at least one financial services access point (percentage)	BOM	54.4	64.0	75.0	100.0
Access to and use of accounts						
17	Percentage of adult men with a deposit account in a formal financial institution <sup>27</sup>	FinScope				
	Bank of Mozambique (no. of accounts)		32.1	46.0	45.0	54.5
	Findex		NA	40.0		
	FinScope		28.0	NA		
18	No. of loan or credit card accounts held by adult men (percentage)		NA	3.6	6.0	9.0
	Bank of Mozambique (no. of accounts)		7.1	8.8	9.0	12.0
	Findex		NA	5.0		
	FinScope		NA	NA		
19	Adult men with an active electronic money account (percentage)					
	Bank of Mozambique (no. of accounts)		30.0	68.9	55.0	80.0
	Findex		NA	27.0		
	FinScope		NA	NA		



No.	Indicator	Source	2015 (base)	2018 (actual)	2018 (target)	2022 (target)
20	Credit accounts in a regulated financial institution per 100 adults	BOM	32.1	6.3	40.0	50.0

#### Financial literacy

21	No. of basic financial conceptual questions answered correctly [need to define/explain]		NA	34.0	5.0	7.0
22	No. of students familiar with capital markets [need to define/explain]		NA	2.500	2.500	10.000

#### OTHER INDICATORS

23	Deposits in banks as a percentage of GDP <sup>28</sup>		48.0	43.0	55.0	72.0
24	Bank credit as percentage of GDP		37.9	28.0	42.0	53.0
25	Stock Exchange capitalization as a percentage of GDP		9.0	8.6	8.4	9.2
26	Proportion of stock brokers related to banks		53.0	61.0	55.0	65.0
27	No. of investors in capital markets		6.000	7,673	8.000	12.000

<sup>27</sup> Actual figure is a proxy based on the number of bank accounts.

<sup>28</sup> Credit/GDP, deposits/GDP, and IME/GDP are overall financial-sector depth indicators, not specific to financial inclusion (and will not be heavily influenced by NFIS). Consider dropping going forward.





## Annex 3: Issues Impacting NFIS Implementation

### NFIS PRECONDITIONS

The strategy assumed the existence throughout the implementation period of the following basic and necessary conditions:



The NFIS noted explicitly that to the extent that these prerequisites are not in place, they could be expected to hamper the successful implementation of the strategy. As part of this assessment, it is therefore useful to gauge to what extent the necessary conditions have prevailed during the first phase of the project. A quick overview of the five conditions indicates that issues may have adversely affected implementation, as detailed below:

#### INTERINSTITUTIONAL COORDINATION

Since the policy initiatives required to achieve broad financial inclusion involve multiple stakeholders in both the public and private sectors, effective coordination at the national level is needed. While cooperation at the working level has generally been good, in the absence of the envisaged high-level coordination structure, effective collaboration at the policy level has been difficult to achieve. In the matter of financial education, for example, each sub-sector of the system (insurance, banking, capital markets) has been pursuing efforts independently, and there has been no coordinated plan to establish a national financial-education program as called for in the strategy.

#### ADEQUATE LEGAL ENVIRONMENT

This condition presupposes the existence of an adequate legal and regulatory environment aligned with the developments and objectives of the strategy. Considerable efforts have been made both prior to and after the launch of the strategy to modernize the legal and regulatory framework. While there have been delays, and certain regulations may need to be reviewed considering experience, this condition is largely met.

#### BASIC INFRASTRUCTURE

This condition considers the state of the country's basic physical infrastructure (roads, telecommunications, electrification) that is needed to support the establishment of financial institutions throughout the country. While government policy continues to prioritize the expansion and improvement of infrastructure, there remain areas of the country where access to basic infrastructure is not guaranteed, and this must be considered in planning realistic targets for geographic access and proximity to financial services.

#### CONDUCIVE MACROECONOMIC ENVIRONMENT

The NFIS recognized that improved levels of financial inclusion depended to some degree on the prevailing economic conditions and on maintaining a robust macroeconomic environment. At the time the NFIS was being developed (2014–15), Mozambique was growing rapidly. The revelation of a significant level of hidden government debt in 2016 contributed to a loss of confidence and a period of macroeconomic volatility. These macroeconomic conditions have been challenging for the financial sector. Credit to the private sector declined from 35 percent of GDP in 2015–16 to 26 percent in 2017. Two banks failed in late 2016, lending rates rose significantly, and nonperforming loans increased sharply from 6 percent to 12.8 percent in 2018. While Mozambique is now emerging from the crisis, the first two years of implementation of the NFIS were a difficult period that may have negatively impacted implementation of the strategy.

**Table 6: Key Macroeconomic Data 2013–18**

	2013	2014	2015	2016	2017	2018
Real GDP growth (percentage)	7.1	7.4	6.6	3.8	3.7	3.3
Inflation year on year (percentage)	3.5	1.9	10.6	25.3	5.7	3.5
Average lending interest rate (percentage)	35.6	35.3	33.1	43.6	47.3	37.7

Source: INE, Bank of Mozambique.

## FINANCIAL-SECTOR COMMITMENT

The success of the NFIS depends on the active engagement and commitment of the financial sector. As noted above, at the time the NFIS was being developed, both the economy and financial sector were performing well, and many financial institutions had plans to expand their presence and outreach. The economic downturn and financial crisis caused some financial institutions to revise these plans. That said, there now appears to be genuine interest on the part of the financial community to seek sustainable solutions to broadening the market for formal financial services.

## ISSUES WITH CERTAIN REGULATIONS INTENDED TO PROMOTE FINANCIAL INCLUSION

Several regulations intended to promote financial inclusion were highlighted by financial institutions as potentially having unintended negative consequences, including the following:

- **Notice 13/GBM/2017** governs fees and commissions relating to financial services and provides for some services to be offered free of charge (for example, transfers, ATM withdrawals, POS transactions). This applies to clients regardless of income. Banks have stated that this represents a disincentive to expand ATM and POS networks, particularly in underserved areas. Free cash withdrawals also may negatively impact revenues of bank agents, thereby reducing the incentives for potential new agents. The Bank of Mozambique has indicated that it intends to restrict this provision to the proposed Simplified Bank Account once this is put in place. The restriction would allow for differentiation of this policy by income level

of the client, and some banks have indicated that this would be an acceptable alternative.

- **Notice 3/GBM/2015 establishes rules for the provision of financial services by banking agents.** Takeup has been limited, and the number of both bank agents and transactions taking place through bank agents are limited. Banks state that the conditions imposed on bank agents and their employers are excessive. FSD Mozambique has recently completed a study of the issues, which should be publicly available shortly.
- **Notice 1/GBM/2015** established the rules and criteria for opening and closing bank branches. It states that for every three branches that a bank wants to open in an urban area (or six if the bank does not have branches in provincial capitals), the first (or first two in the case of six) should be opened at a location that does not have a bank branch, with remaining branch locations freely chosen by the bank. Rather than encouraging expansion of branch networks, it is possible that this will result in fewer branches in both urban and rural areas. Alternatively, if rural branches are viewed as unprofitable, banks may raise fees and spreads to compensate for the low returns of branches in underserved areas. Furthermore, the emphasis on brick-and-mortar locations appears to be at odds with the impetus to encourage inclusion through less costly means, such as digital finance and agent banking. The branch-opening regulation differs from measures that provide incentives to encourage banks to open branches in underserved areas—for example, Notice 10/GBM/2007, which exempts banks that open branches in underserved areas from certain reserve requirements. MITADER's One District–One Branch Initiative provides low-cost financing for the establishment of such branches.

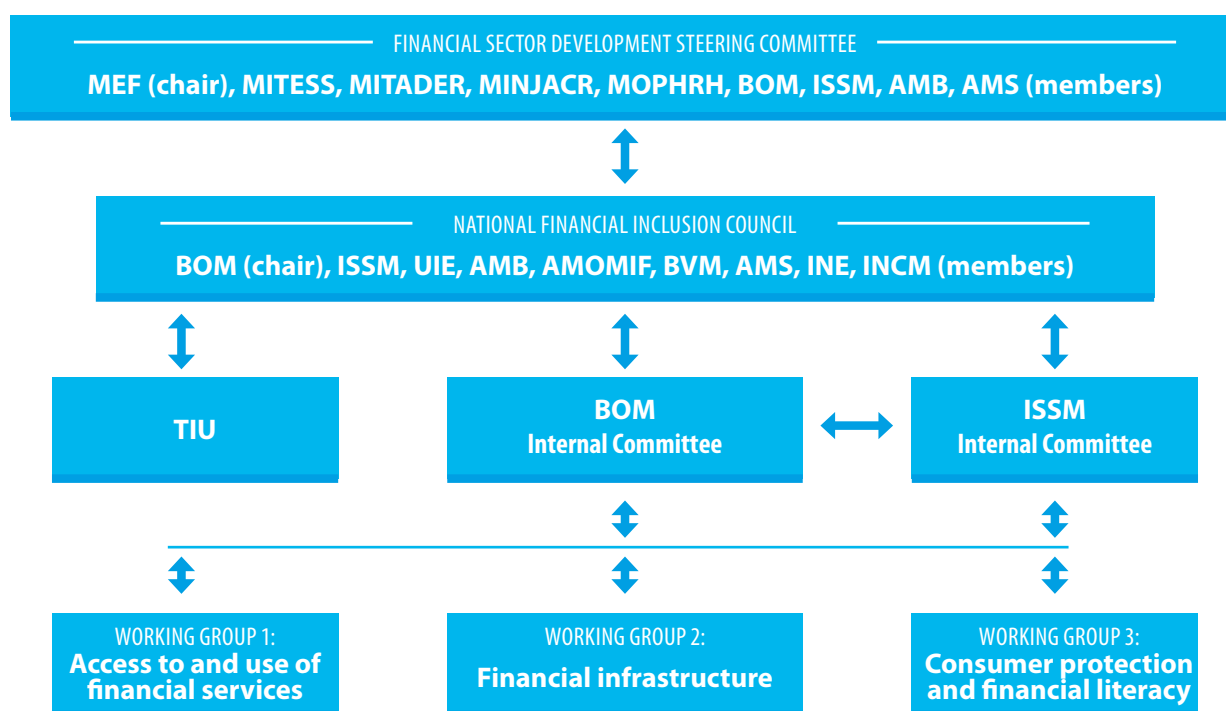
- **Notice 3/GBM/2018** governs the advertising of financial products and services and contains many worthwhile measures to promote transparency and protect financial consumers. While it is appropriate for regulators to ensure that all advertising is truthful, the requirement that all advertising in audio-visual media, radio, or the Internet be of a minimum duration of one minute is viewed by many in the market as regulatory overreach. Studies conducted by the World Advertising Research Center demonstrate that ads lose their effectiveness at about 45 seconds, when audiences tune out, and that 30-second ads are the ideal length for retaining customer attention.

## NFIS OVERSIGHT

An important aspect of the NFIS was the governance structure proposed to oversee implementation of the strategy. Improving the levels of financial inclusion involves several stakeholders from both the public and private sectors. To ensure the active engagement and commitment of all relevant parties, the NFIS proposed a multitier structure to coordinate implementation of the strategy.

*Figure 3 shows the coordination structure as initially proposed for the NFIS.*

*Figure 3: NFIS Coordination Structure*



This coordination structure has been only partially put in place, hindering effective implementation of the plan. An effective governance structure comprising key players at a senior level is needed to set policy, signal commitment to the objectives of the strategy to the market, and to resolve policy issues that involve more than a single government ministry or agency.

The proposed steering committee has met only once to approve the NFIS. A draft legal instrument establishing the financial inclusion coordination structure was submitted by the Bank of Mozambique to the Ministry of Finance in 2017 but has not been approved by the Council of Ministers yet. In the interim, the Bank of Mozambique and ISSM, as the two key financial-sector regulators, have set up internal committees and played critical roles in coordinating the implementation of the NFIS.

To support implementation of the strategy, the Bank of Mozambique established the Financial Inclusion Service in 2017, which serves as the Technical Implementation Unit and is responsible for day-to-day coordination. The Financial Inclusion Service was upgraded to an office (gabinete) in 2019 and is led by a director who reports to the relevant board member at the Bank of Mozambique. The Technical Implementation Unit has also assumed primary responsibility for coordinating implementation of the strategy, but it cannot formulate policy and has no authority over other government agencies.

Governance of the strategy needs to be strengthened to ensure more effective guidance and direction. If the proposed structure is not approved and implemented rapidly (the preferred solution), consensus should be sought on a revised governance structure that has buy-in and authority from senior policy makers in Mozambique. Options to consider include collapsing the top two levels into a single steering committee, with responsibilities delegated to subcabinet level.

## WORKING GROUPS

The Bank of Mozambique constituted three WGs in 2017 with responsibility for providing advice on each of the strategy's pillars. The WGs have an important role to play in finding solutions to problems and effectively implementing the strategy. They are also the primary mechanism for incorporating views from the private

sector and civil society. Coverage of each group is broad, and the groups lack a clear work plan with assigned responsibilities. The Bank of Mozambique (rather than WG coordinators) calls meetings and sets the agenda.

All the WG coordinators during the initial 2016–18 period were from either the Central Bank or development partners, although coordinators are to be rotated during the second half of 2019, to include more private-sector representatives and associations. The active engagement of the private sector is critical to the success of the strategy, and private-sector representatives should play a prominent leadership role in the groups. For many participants, the existing WGs serve primarily as information platforms, rather than consultative bodies or forums for analyzing issues and seeking solutions.

The scope, leadership, and functioning of the WGs should be revisited with the aim of making them more effective. This could entail establishing more WGs with a narrower focus, corresponding to the key issues identified. WGs should have the mandate to seek and propose solutions, establish work plans with assigned responsibilities and timelines, and propose requisite changes to the Action Plan or timeline to the Technical Implementation Unit or Steering Committee. It is proposed that the following WGs or sub-working groups be established to complement or replace the existing groups:

- 1. Customer Due Diligence and Tiered KYC:** This WG will propose concrete tiered KYC measures, as well as means of addressing the challenges of identifying customers. It will also review the issue of facilitating account openings for informal saving groups.
- 2. Payment Interoperability:** This WG will be charged with accelerating the transition to the new service provider and strengthening the governance and capacity of SIMO. It will also seek to ensure effective interoperability between IMEs and commercial banks, either through the switch or through bilateral, multilateral, and “top-up” arrangements.
- 3. Expanding Financial Access Points:** This WG will use the forthcoming GSD mapping to identify coverage gaps. It will draw on lessons learned from the FSD Mozambique study on agent banking to suggest modifications to regulations, as needed,



including possibly introducing a tiered approach for agents. It will review Notice 1/GBM/2015 on geographic proportionality for branch openings. It will also investigate ways of expanding merchant acceptance points and ATMs and will review the impact of Notice 13/GBM/2017 on fees and charges.

**4. Digital Financial Services:** The WG will seek to identify government-to-person, person-to-government, and other significant payment flows that could be digitized and propose pilot programs. It will work with the group that has been established by the World Bank to promote digital social protection payments by the National Social Action Institute.

**5. Insurance and Pensions:** This WG will seek solutions to promote greater takeup of insurance, including among rural and lower-income Mozambicans. It will review the legal, regulatory, and fiscal framework with a view to identifying obstacles and will look at the feasibility of insuring one or more large agricultural value chains. It will also seek solutions for offering small pensions for the large uncovered informal sector.

**6. Financial Education and Consumer Protection:** This WG will seek to coordinate efforts of various stakeholders to launch the proposed national financial-education program. It will also study and propose measures to strengthen the consumer protection framework in line with international best practice, including proposing appropriate dispute-resolution mechanisms, disclosure requirements, business practices, and so forth.

**7. Reducing the Gender Gap:** The M&E framework has targets for women's financial inclusion, but the Action Plan does not include measures directed at addressing the gap. This WG will propose policies and measures to actively promote gender-inclusive financial services.

Responsibility for all items in the Action Plan should be assigned to specific groups or sub-groups. The above list is indicative and should not be considered as fixed or permanent. As activities are completed, WGs can be disbanded or reconfigured in line with the requirements of the strategy, or new WGs constituted as needed.

## DATA CONSTRAINTS

Monitoring progress toward financial inclusion is an integral part of the strategy and allows policy makers and stakeholders to assess results and make course corrections. This in turn depends on gathering accurate data in a timely fashion.

Mozambique, like many countries, does not gather complete and regular data on some aspects of financial inclusion. For example, as noted earlier, financial institutions typically report the number of accounts they have (rather than the number of individual account holders), so the supply-side data reported tends to overstate the level of financial inclusion. In addition, many financial institutions do not disaggregate data sufficiently to monitor progress on gender, MSME finance, or household access to finance, for example.

Demand-side data gathered through surveys can remedy these problems without creating additional reporting burdens on financial institutions or regulators, but surveys occur less frequently. Relevant stakeholders conduct enterprise surveys infrequently and FinScope surveys only when contracted to do so (three times since 2011, but the results of the 2018 survey have not been released yet).

The Global Findex by the World Bank is a comprehensive triennial financial-inclusion survey, but the Mozambican authorities have reservations about its standardized methodology, which they believe does not accurately reflect the Mozambican financial landscape. In any event, the 2014 Global Findex did not include Mozambique, so there is no baseline information.

A few financial-inclusion questions were recently added to the census questionnaire, but the results are not yet publicly available, and the next census will not be for another decade. Despite such issues, demand surveys can provide a wealth of information that is not provided by current supply-side data, such as the estimated percentage of the adult population with accounts, the reasons individuals do or do not have accounts, estimated usage of accounts, and disaggregated data based on demographic and socioeconomic characteristics.

To improve data collection and hence policy making, it is important to work on improving the quality, accuracy, timeliness, and sustainability of the data collected. In

a very limited number of cases, this may mean asking financial institutions to provide additional information to regulators in off-site supervision (such as breakdown of customers by gender or firm size) or making some of these parts of regular reporting, and in others, supplementing supply-side information with available demand surveys. Any additional reporting requirements need to be elaborated in close consultation with the industry in order not to place an undue burden on financial institutions.

## COORDINATION OF COMPLEMENTARY INITIATIVES

Several ongoing activities and initiatives to promote financial inclusion fall outside the scope of the NFIS Action Plan, including the following:

- **The Fintech Incubator Project (Sandbox):** This project is designed to promote financial inclusion through fintechs and is a joint initiative of FSD Mozambique and the Bank of Mozambique. An authorization process has been developed that will allow financial institutions to offer innovative new products on a no-objection basis within approved parameters.
- **FARE initiatives:** The Fund for Economic Rehabilitation (FARE) has several financial-inclusion activities, including strategies for the financial inclusion of informal savings groups (ASCAs) through mobile-money providers, training, and so on.
- **Donor initiatives:** KfW, the World Bank Group, FSD Mozambique, GIZ, DFID, and others have ongoing projects that are aimed at promoting financial inclusion, some of which fall outside the scope of the NFIS.
- **MITADER initiatives:** MITADER, by its mandate to foster rural development, is implicated in several financial-inclusion activities, in addition to the One District–One Bank Initiative, which provides interest-free loans to banks to invest in bank branches in unserved districts.

This list is not exhaustive but indicative of the scope and nature of activities that may not be included or monitored in the Action Plan of the NFIS. It is recommended that the

Technical Implementation Unit undertake a mapping exercise to flag these financial-inclusion efforts to ensure effective coordination. This should be facilitated by the fact that most of the agencies responsible for these excluded activities are included in WGs and represented in the more senior policy-level tiers of the proposed coordination structure.







## Annex 4: Customer Due Diligence and Identification

Mozambique strives to comply with international principles established by the Financial Action Task Force with respect to AML/CFT. The primary legislation governing this is Law 14/2013, the objective of which is to establish the legal framework for the use of the financial system and financial institutions and persons for money-laundering activities and the funding of terrorist activities. Article 10 of this law and Article 10 of Decree 66/2014 require financial institutions to identify their customers and confirm their identity through the presentation of valid documents for, among other things, the opening and operation of accounts.

Primary and secondary legislation allow banks some discretion in determining which type of customer identification they will require, based on the bank's assessment of the customer's risk profile. However, banks are risk-averse in this area, particularly insofar as bank supervisors require them to justify their customer due diligence during routine examinations and can impose fines or sanctions for perceived failures. Therefore, banks typically require a national photo ID card, tax ID (NUIT), and proof of residence and income. These requirements pose a real problem for significantly expanding financial inclusion, as less than 60 percent of the population has a national ID, even though it is theoretically a legal requirement, and even fewer Mozambicans have tax IDs.

Financial institutions would like to see tiered KYC requirements established by law or regulation that would spell out in detail the criteria for identifying lower-risk clients and acceptable requirements for customer due diligence. International principles on AML/CFT allow lawmakers and

regulators to adopt tiered KYC requirements, but only after the country has undertaken a national risk assessment for money laundering and terrorist financing. Mozambique has agreed to undergo a national risk assessment, including a financial risk-assessment module.<sup>31</sup> Once completed, it is recommended that Mozambique rapidly institute an appropriate regime of tiered KYC requirements. An example of a tiered KYC regime (from Mexico) can be found in table 7.

The Interior Ministry, which is responsible for ID issuance, has tried to increase the number of people with IDs but faces several constraints. These include (i) the cost of obtaining a national ID (Mt 180), which is prohibitive for low-income people;<sup>32</sup> (ii) district centers, where the ID directorate has representation, are far and difficult to reach for many rural residents, who generally have to return several times to complete the process; (iii) many individuals lack birth certificates, which are required to obtain a national ID; and (iv) obtaining birth certificates from civil registries is expensive (up to Mt 450).

Since registration is conducted by private contractors, the Interior Ministry cannot waive the fees unless it has funding to subsidize the cost. In some instances, banks have been assuming the costs to obtain IDs for their clients. However, such stop-gap measures are inadequate to resolve the problem, and a national intergovernmental agreement and plan to roll out a universal ID is required. The issue of national IDs is critically important to promote effective financial inclusion, although it obviously has much broader implications for society and therefore requires a national intergovernmental effort.

**Table 7: Sample Tiered Know-Your-Customer Regime: The Case of Mexico**

	Level 1	Level 2	Level 3	Level 4 (trad. bank account)
Maximum no. of monthly transactions (US\$/month)	280, with maximum balance of US\$370	1,110 <sup>33</sup>	3,700	No limit imposed by regulation
Customer information required to open account	None	Basic: Name, date and place of birth, gender, and address	Complete customer information	Complete customer information
Hard copy required	Not applicable	No	No	Yes
Face-to-face account opening required	No	No <sup>34</sup>	Yes	Yes
Means to access funds	Only debit card (for national use), no mobile	Any electronic means (mobile, card, bank transfers)	Any electronic means (mobile, card, bank transfers)	Any electronic means (mobile, card, bank transfers) and cheques

Source: Banco de Mexico Circular 2019/95 as modified by Circular 14/2011.

<sup>31</sup> The government plans to undertake a national risk assessment, with World Bank support, in September 2019.

<sup>32</sup> The national ID, which is also required for voting, has biometric information. There is also a charge for renewal.

<sup>33</sup> Level 2 accounts allow additional US\$2,220 in transactions per month if resources originate exclusively from government programs.

<sup>34</sup> Bank may opt for face-to-face procedure

## Annex 5: Summary of Key Recommendations and Areas for Additional Work

### “QUICK WINS”

In addition to the high-impact “quick wins” outlined in the main text, the mid-term review makes several further recommendations regarding Phase 2 of NFIS implementation. The main recommendations are summarized in the table below. The lead organization and relevant WGs are proposed, as are indicative timelines. The five “quick wins” identified represent priority actions that can be implemented in the near term, many of which have been detailed in the preceding section. Three additional measures are at an advanced stage and could be implemented to promote financial inclusion.

No.	Actions and status.	Lead	WG <sup>35</sup>	Date
1	Introduce tiered KYC requirements to enable individuals who lack the full range of identification documents to open basic bank accounts.	BOM	1	June 2020
2	Ensure full interoperability among banks and e-money issuers (that is, direct transfers between mobile wallets and across various providers, and between mobile wallets and bank accounts).	BOM	2	
3	Facilitate the expansion of access points, notably bank and non-bank agents.	BOM	3	
4	Digitize government payments by transitioning large government-to-person flows directly to bank or e-money accounts of beneficiaries. Identify additional public or private payment flows that can be similarly digitized, including international transfers, which could be a good entry point for the poor and unbanked.	MEF	4	June 2020
5	Improve the effectiveness of the NFIS coordination structure, including more active and effective WGs focused on the highest-priority actions.	BOM	NA	
No.	Additional measures that could be advanced quickly	Lead	WG	Date
6	Finalize and enact draft legislation and Notices on Payment Service Providers.	BOM	2	Dec. 2019
7	Finalize and issue the Notice on Simplified Bank Accounts.	BOM	1	Dec. 2019
8	Finalize the GIS mapping exercise (ideally including insurance access points), to serve as a basis for developing policies to improve and monitor access to financial services in rural areas.	MITADER	7	Dec. 2019

<sup>35</sup> Proposed WGs include (1) Customer Due Diligence and Tiered KYC, (2) Payment Interoperability, (3) Expanding Financial Access Points, (4) Digitizing Payment Flows, (5) Insurance and Pensions, (6) Financial Education, (7) Consumer Protection, and (8) Measuring and Reducing the Gender Gap.



## FURTHER ANALYTICAL WORK NEEDED

The mid-term review also identified measures that represents important actions but require further analytical or legislative work before they can be fully implemented. These are summarized in the table below.

No.	Further analytical work needed	Lead	WG	Date
1	Amend the legal and regulatory framework for insurance and pensions. Consider revising upward the current limits on micro-insurance contracts and recognizing digital signatures in the insurance law. Review high stamp duties payable on certain insurance contracts.	ISSM	5	Dec. 2020
2	Work with Ministry of the Interior and other relevant government agencies to expand the number of citizens who have a national ID card and tax ID (NUIT). Consider making the issuance and renewal of ID cards free of charge.	GOM	1	TBD
3	Review, finalize, and disseminate the Vision for Retail Payments and revise in line with findings of the digital financial services study (for example, e-signature, QR codes, merchant acceptance, and so forth).	BOM	2	TBD
4	Seek solutions for small pensions to cover the large uncovered informal sector.	INPS	5	TBD
5	Establish and implement a robust and high-quality financial consumer protection framework, encompassing regulations in line with international good practices, dispute-resolution mechanisms, market conduct supervision, disclosure, fair practices, complaints handling, and so on.	BOM, ISSM	7	TBD
6	Explore piloting insurance coverage of a large agricultural supply chain, drawing on experience in neighboring countries.	ASM	5	TBD
7	Review Notice 1/GBM/2015 proportionality between rural and urban branch openings.	BOM, AMB	3	TBD
8	Study the impact of Notice 13/GBM/2017, as amended, on fees and charges, and, if warranted, reconsider the requirement that banks offer certain services free of charge to all bank customers.	BOM, AMB	3	TBD
9	Consider solutions to the issue of facilitating account openings for saving groups (for example, trust accounts with identification of beneficiaries).	BOM, AMB	1	TBD
10	Consider measures to incentivize product offerings for women and other measures that could be taken by financial service providers to reduce the gender gap and incentivize product offerings for women.	AMB, ASM, IMEs	8	TBD

## COORDINATION AND GOVERNANCE ISSUES

The mid-term review also identified a third set of recommendations that relate to the coordination and governance of the NFIS. The summary of recommendations below is intended to ensure effective consultation, accountability, monitoring, and policy coordination of the NFIS.

No.	Recommendation	Lead	WG	Date
1	Review the scope, leadership, and functioning of the WGs to make them more effective. Create new groups or sub-groups focused on priority actions, in line with recommendations. Consider giving a greater leadership and implementation role to the private sector.	MEF, BOM, ISSM	NA	Dec. 2019
2	Complete and operationalize an appropriate coordination structure to oversee implementation of the NFIS.	MEF, BOM, ISSM	NA	Dec. 2019
3	Review and revise the NFIS Action Plan in line with the recommendations in this document and seek stakeholder buy-in. Ensure that all actions have accountable and interested leaders assigned to follow implementation.	MEF, BOM, ISSM	NA	Dec. 2019
4	Revise and streamline the M&E framework in a realistic, achievable, but ambitious way.	MEF, BOM, ISSM	NA	TBD
5	Compile and maintain a list of financial-inclusion activities that are taking place outside of the framework of the NFIS and ensure coordination and information sharing.	MEF, BOM, ISSM	NA	TBD

## Annex 6: Summary of G20 Financial-Inclusion Indicators

NOTE: Indicators proposed in 2016 are shaded in green; revised indicators are shaded in blue.

	Category	Indicator	Source	Frequency
Proximity (physical access)				
1A <sup>D</sup>	Adults with an account	Account (percentage age 15+) Percentage of adults who report having an account (by themselves or together with someone else) with a formal financial institution or a mobile-money provider	World Bank Global Findex	Triennial
1B	No. of accounts	Deposit accounts per 1,000 adults	IMF Financial Access Surveys	Annual
1C		E-money accounts per 1,000 adults	World Bank Global Payments Systems Survey	Annual
1D		Mobile-money transactions per 100,000 adults No. of mobile-money transactions per 100,000 adults	IMF Financial Access Surveys	Annual
2A <sup>D</sup>	Adults with credit at regulated institutions	Borrowed from a financial institution in the past year (percentage age 15+): Percentage of adults with at least one loan outstanding from a bank or other formal financial institution	World Bank Global Findex	Triennial
2B		Outstanding loans per 1,000 adults	IMF Financial Access Surveys	Annual
3	Adults with insurance	Insurance policyholders per 1,000 adults Disaggregated by life and non-life insurance	IMF Financial Access Surveys	Annual
4	Cashless transactions	Retail cashless transactions per 1,000 adults Includes: no. of cheques, credit transfers, direct debits, payment-card transactions (debit cards, credit cards), and payments by e-money instruments (card-based e-money instruments, mobile-money products, and online money products)	World Bank Global Payments Systems Survey	Annual
5 <sup>D</sup>	Adults using digital payments	Made or received digital payments (percentage age 15+) Percentage of adults using a transaction account (with a bank or other formal financial institution or mobile-money provider) to make or receive a digital financial payment Includes: Use the Internet to pay bills or make purchases online; use a phone to pay bills, make purchases, or send or receive money from an account (with a bank or other formal financial institution or mobile-money provider); use a debit or credit card to make a direct payment from an account; send or receive remittances to/from an account; receive wages, government transfer payments, or agricultural payments to an account; send utility or school fees from an account	World Bank Global Findex	Triennial

	Category	Indicator	Source	Frequency
5A <sup>*D</sup>	Payment using a mobile phone (from an account)	<Sub-indicator> Made payment using mobile phone (percentage age 15+) Percentage of adults using a mobile phone to pay bills, make purchases, or send or receive money from an account (with a bank or other formal financial institution or mobile-money provider)	World Bank Global Findex	Triennial
5B <sup>*D</sup>	Payments using the Internet	<Sub-indicator> Made payment using the Internet (percentage age 15+) Percentage of adults who made payment using Internet (percentage age 15+) Percentage of adults using the Internet to pay bills, make purchases, or send money online	World Bank Global Findex	Triennial
5C <sup>*D</sup>	Payment using a bank card	<Sub-indicator> Made payment using a debit card (percentage age 15+) Percentage of adults using a debit card to make a direct payment from an account (with a bank or other formal financial institution)	World Bank Global Findex	Triennial
5D <sup>*D</sup>	Payment using account	<Sub-indicator> Received wages or government transfers into an account (percentage age 15+) Percentage of adults who receive wages or government transfers into an account (with a bank or other formal financial institution or mobile-money provider)	World Bank Global Findex	Triennial
6 <sup>D</sup>	High frequency of account use	High frequency of account use (percentage age 15+) Percentage of adults with high-frequency use of an account “High frequency” is defined as having taken money out of a personal account(s) at a bank or other formal financial institution three or more times in a typical month, including cash withdrawals, electronic payments or purchases, checks, or any other type of payment debit, either by account owner or third parties.	World Bank Global Findex	Triennial
7 <sup>D</sup>	Saving propensity	Saved at a financial institution (percentage age 15+) Percentage of adults that saved at a bank or other formal financial institution in the past year	World Bank Global Findex	Triennial

#### Usage indicators: Enterprises

8A <sup>G</sup>	Formally banked enterprises	Small and medium-size enterprises (SMEs) with an account at a formal financial institution (percentage) Percentage of SMEs with an account at a bank or other formal financial institution	World Bank Global Findex	3–5 years**
8B		SME deposit accounts (as a percentage of nonfinancial corporation borrowers) No. of SME deposit accounts (as a percentage of nonfinancial corporation borrowers)	IMF Financial Access Surveys	Annual
9A <sup>G</sup>	Enterprises with outstanding loan or line of credit at regulated institutions	SMEs with an outstanding loan or line of credit (percentage) Percentage of SMEs with an outstanding loan or line of credit from a bank or other formal financial institution	World Bank Enterprise Surveys	3–5 years**
9B		SME loan accounts (as a percentage of nonfinancial corporation borrowers) No. of SME loan accounts (as a percentage of nonfinancial corporation borrowers)	IMF Financial Access Surveys	Annual

	Category	Indicator	Source	Frequency
10 <sup>G</sup>	Digital payments to or from enterprises	SMEs that send or receive digital payments from an account (percentage) Percentage of SMEs that send or receive digital payments from an account	World Bank Enterprise Surveys (Aspirational)	3–5 years**
Access indicators: Physical points of service				
11A	Points of service	Branches per 100,000 adults No. of branches per 100,000 adults	IMF Financial Access Surveys	Annual
11B		ATMs per 100,000 adults No. of ATMs per 100,000 adults	IMF Financial Access Surveys	Annual
11C		Agents of payment service providers per 100,000 adults Includes agents of banks and other deposit-taking institutions, as well as specialized entities such as money-transfer operators and e-money issuers	World Bank Global Payments Systems Survey	Annual
11D		Mobile agent outlets per 100,000 adults No. of mobile agent outlets per 100,000 adults	IMF Financial Access Surveys	Annual
11E		POS terminals per 100,000 adults No. of POS terminals per 100,000 adults	World Bank Global Payments Systems Survey	Annual
11F <sup>D</sup>		Access to a mobile phone or Internet at home (percentage age 15+) Percentage of adults with access to a mobile phone or device or Internet access in the home	Gallup World Poll	Triennial
12	Debit-card ownership	Debit cards per 1,000 adults No. of debit cards per 1,000 adults	World Bank Global Payments Systems Survey	Annual
13 <sup>G</sup>	Enterprise points of service	SMEs that have a POS terminal (percentage) Percentage of SMEs that have a POS terminal	World Bank Enterprise Surveys (Aspirational)	3–5 years**
14	Interoperability of points of service	Interoperability of ATM networks and interoperability of POS terminals (0-1) (takes the value 1 if MOST or ALL ATM networks or POS terminals are interconnected and 0 if they are NOT interconnected)	World Bank Global Payments Systems Survey	Annual
Quality indicators: Financial literacy and capability				
15	Financial knowledge	Financial knowledge score Arithmetic score that sums up correct responses to questions about basic financial concepts, such as (a) inflation, (b) interest rate, (c) compound interest, (d) money illusion, (e) risk diversification, and (f) main purpose of insurance.	World Bank Financial Capability Surveys and OECD National Financial Literacy and Inclusion Surveys	Periodic
16 <sup>D</sup>	Financial behavior	Use of savings for emergency funding Percentage of adults that respond “savings” in response to the question “If you had an emergency that required [US\$10, or 1/25 of GDP per capita] urgently, where would you get the money?” Options: (a) borrow from friends/relative, (b) work more, (c) sell assets, (d) savings, (e) loan from savings club, (f) loan from bank, (g) would not be able to find it	World Bank Global Findex	Triennial



	Category	Indicator	Source	Frequency
Quality indicators: Market conduct and consumer protection				
17	Disclosure requirements	Disclosure index combining existence of a variety of disclosure requirements: (1) plain language requirement (for example, understandable, prohibition of hidden clauses), (2) local language requirement, (3) prescribed standardized disclosure format, (4) recourse rights and processes, and (5) total rate to be paid for a credit (basic costs plus commission rates, fees, insurance, taxes)	World Bank Global Consumer Protection Survey	Annual
18	Dispute resolution	Index reflecting the existence of formal internal and external dispute-resolution mechanisms: (1) internal dispute-resolution mechanism indicator: law or regulation setting standards for complaints resolution and handling by financial institutions (including timeliness, accessibility, requirements to implement complaints-handling procedures); (2) external dispute-resolution mechanism indicator: system in place that allows a customer to seek affordable and efficient recourse with a third party (supervisory agency, financial ombudsman, or equivalent institution)	World Bank Global Index	Annual

#### Quality indicators: Barriers to use

19 <sup>G</sup>		Percentage of SMEs required to provide collateral on their last bank loan (reflects the tightness of credit conditions)	World Bank Enterprise Surveys and OECD SME Scoreboard	3-5 years**
	Credit barriers	<p>Getting credit: the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. Measured as “distance to frontier.”</p> <p>The distance-to-frontier score aids in assessing the absolute level of regulatory performance and how it improves over time. This measure shows the distance of each economy to the “frontier,” which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. This allows users both to see the gap between an economy’s performance and the best performance at any point in time and to assess the absolute change in the economy’s regulatory environment over time as measured by Doing Business. An economy’s distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in DB 2015 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time.</p>	World Bank Group Doing Business	Annual

#### NOTES:

\* Adults may use more than one mode of payment; sub-indicators are not mutually exclusive categories.

\*\* Enterprise surveys are collected globally on a three- to five-year cycle.

<sup>D</sup> data is also shown disaggregated by income (poorest 40 percent of households and richest 60 percent of households); age (adults under 35 and adults 35 and older); and gender.

<sup>G</sup> data is also shown for women-owned enterprises.

## SOURCES AND METHODOLOGY

*IMF Financial Access Survey:*

<http://fas.imf.org>

*Gallup World Poll:*

<http://www.gallup.com/strategicconsulting/en-us/worldpoll.aspx>

*OECD Financing SMEs and Entrepreneurs Scoreboard:*

<http://www.oecd.org/cfe/smes/financing-smes-and-entrepreneurs-23065265.htm>

*OECD National Financial Literacy and Financial-Inclusion Surveys:*

<http://www.oecd.org/finance/financial-education/measuringfinancialliteracy.htm>

*World Bank Doing Business:*

<http://www.doingbusiness.org/>

*World Bank Enterprise Surveys:*

<http://www.enterprisesurveys.org>

*World Bank Global Findex Database:*

<http://www.worldbank.org/globalfindex>

*World Bank Global Payment Systems Survey:*

<http://www.worldbank.org/en/topic/paymentssystemremittances/brief/gpss>

*World Bank Global Surveys on Consumer Protection and Financial Literacy, and Financial Capability:*

<http://responsiblefinance.worldbank.org>

## Annex 7: Institutions Met and Stakeholders Consulted

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Ministry of Economy and Finance (MEF)

Bank of Mozambique (BOM)

Insurance Supervision Institute (ISSM)

Ministry of Transport and Communication (MTC)

Ministry of Land, Environment, and Rural Development (MITADER)

Ministry of Justice, and Constitutional and Religious Affairs, Civil Identity Division (MJACR)

Ministry of Education and Human Development (MEDH)

Ministry of Gender, Children, and Social Action (MGCAS)

Institute for the Promotion of Small and Medium Enterprises (IPEME)

National Statistics Institute (INE)

National Social Security Institute (INSS)

National Social Action Institute (INAS)

National Social Providence Institute (INPS)

Fund for Support of Economic Rehabilitation

Bankers Association (AMB)

Insurance Association (ASM)

Representatives of commercial banks, insurance companies, and e-money payment providers

Stock Exchange (BVM)

Development partners (World Bank, DFID, GIZ, FSD Mozambique)







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