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Sida Decentralised Evaluation

Nordic Consulting Group

Final evaluation of financial sector deepening Mozambique (FSDMoc) 2016-2020

Final Report

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**Final Report
November 2021**

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Abbreviations and Acronyms

AFC	Automated Fare Collection
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AKF	Aga Khan Foundation
AMBA	Mozambican Association of Business Angels
AMT	Maputo Metropolitan Transport Agency
ATM	Automated Teller Machine
BCI	Banco Comercial de investimentos
BDS	Business Development Services
BRITAM	Insurance company
BVM	Bolsa de Valores de Moçambique
CARE	Humanitarian Organization
CGAP	Consultative Group to Assist the Poor
CN	Concept Note
CPMO	Monetary Policy Committee of Banco de Moçambique
CTA	Confederation of Mozambican Business Associations
DAI	Development Alternatives, Inc
DD	Due Diligence
DFI	Digital Frontiers Institute
DFID	Department for International Development
DFS	Digital Financial Services
ENIF	Financial Inclusion National Strategy
EQ	Evaluation Question
FADE	Enterprise Development and Assistance Fund
FCDO	Foreign, Commonwealth, Development Office
FIW	Financial Inclusion Week
FMT	FinMark Trust
FSD	Financial Sector Development
FSDA	Financial Sector Deepening Africa
FSDMoç	Financial Sector Deepening Moçambique
FSDs	Financial Sector Deepening projects
FSPs	Financial Service Providers
GDP	Gross Domestic Product
GIS	Geographic Information System
GoM	Govern of Moçambique
IC	Investment Committee of FSDMoç
ICT	Information and Communication Technology
IMF	International Monetary Fund

ABBREVIATIONS AND ACRONYMS

INAS	National Institute for Social Welfare
INCM	Mozambique's Communications Regulatory Authority
INE	National Statistics Institute
IR	Inception Report
ISCF	Credit Institutions and Financial Companies
ISSM	Insurance Supervision Institute of Mozambique
JC	Judgment Criteria
KfW	Kreditanstalt fuer Wiederaufbau
KM&L	Knowledge, Monitoring and Learning
KPI	Key Performance Indicators
KYC	Know Your Customer
LoE	Level of Effort
LogFrame	Logical Framework
M&E	Monitoring and Evaluation
M4P	Making Market Work for the Poor
MDF	Market Development Fund
MEF	Ministry of Economy and Finance
MIMO	Interbank Money Market Rate
MMO	Mobile Money Operator
MNO	Mobile Network Operator
MoU	Memorandum of Understanding
MRM	Monitoring and Results Measurement
MSA	Market System Analysis
MSME	Micro-, Small, and Medium Enterprise
NUIB	Single Bank Identification Number
PEFBM	Financial Literacy program
QA	Quality Assurance
Sida	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprise
SOCREMO	Mozambican Credit Society
SSM	Instituto de Supervisão de Seguros de Moçambique
TA	Technical Assistance
ToC	Theory of Change
ToR	Terms of Reference
UK	United Kingdom
VfM	Value for money
WB	World Bank
WELELA	Mozambique business platform

Executive Summary

The Embassy of Sweden in Maputo, Mozambique is considering the prospect of continuing its support to the Financial Systems Deepening Mozambique (FSDMoç), a program originally funded through DFID/DCDO in order to ensure that financial inclusion is made available throughout Mozambique. In light of this it has commissioned an evaluation of the performance of the FSDMoç program for the period in which it has provided financial support (2016-2020). This is the final report of that evaluation.

The **purpose** of the evaluation, according to the ToR, is to “determine whether the obtained results (achieved by FSDMoç) motivate a continued commitment in the current context.”

The **objectives** of this evaluation are two:

- “Evaluate the Swedish support to FSDMoç in Mozambique (2016-2020) in relation to the objectives set, as well as to
- Formulate recommendations as an input to upcoming discussions concerning the preparation of a new phase of the intervention”.

The **THEMATIC SCOPE** of the evaluation is very specifically defined in the ToRs: it is the PERFORMANCE of the FSDMoç that is being evaluated. This has been taken to mean what FSDMoç had proposed to do in its various plans as defined by the specific formal arrangements and agreements it had with its funding partners. Specifically, the evaluation assessed the extent to which the expected results (at the output and the effects levels of the Theory of Change (ToC) were achieved. Since the performance of the FSDMoç is at the core of the evaluation, the evaluation team focused on the EFFECTS actually generated by the FSDMoç, as compared to the expectations of funders with respect to the Theory of Change, and the contractual agreements between them and the FSDMoç.

In terms of the **approach and methodology** applied in this mandate, one of the defining characteristics of this evaluation is that the available time for its execution was very limited. It also occurred in the context of the COVID-19 pandemic thereby significantly restricting person-to-person contact.

The overall evaluation process followed Sida guidelines that involved, among other things, a three-phase approach (Inception, Implementation and Synthesis); a focus on evidence; the use of evaluation questions and judgment criteria as a research process; and the development of conclusions based on findings and recommendations based on conclusions. Because of the short time frame, the main evaluation tool used was documentary analysis and validation through interviews, the latter being largely carried out by videoconference or email, although interviews were carried out with

almost twenty key people and organizations. Nevertheless, the team was unsuccessful in obtaining interviews with important stakeholders and had only limited contact with others due to what was stated as time conflicts. The limitations caused by these constraints are noted in the report where applicable. Overall, the evaluation team believes that there has not been a serious loss of validity in the findings. Conclusions are also classified according to the level of validity of the evidence that supports them.

Insofar as the FSDMoç program is concerned, it is important to note that its core objective is to expand levels of financial inclusion by addressing constraints in the financial market, helping the diversification of Mozambique's economy, and bringing prosperity and economic resilience to Mozambique's people. Based on this, FSDMoç supports key financial sector stakeholders to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve. This objective is split across the following:

- Improve the financial capability of households and MSMEs;
- Enable Financial Service Providers (FSPs) develop and/or deliver appropriate financial services to women, men, and MSMEs;
- Promote the provision of adequate financial infrastructure and services to support financial inclusion;
- Ensure the provision of relevant information about the supply and demand for financial services are available;
- Spearheaded efforts to improve the policy and regulatory environment for financial inclusion.

Sida agreed to provide a maximum amount of SEK 40 million (equivalent to GBP 3.6 million) while the DFID support amounted to GBP 13.3 million. The Sida funds were transferred to DFID under an inter-agency agreement wherein DFID managed the program with an external implementation agency (DAI Europe). The entire program has had professionally prepared reporting at regular and frequent intervals and has been the object of both a Mid-Term Review and a very thorough Value for Money assessment, both of which provided extensive analysis that suggested effectiveness, efficiency, and sustainability overall.

The evaluation itself was centred on six evaluation questions and a comprehensive evaluation matrix. The six evaluation questions (EQs) and a brief overview of the answers that were generated by the evaluation team are:

EQ 1: To what extent has the intervention corresponded to the priority needs of intended beneficiaries?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Coherence

Answer to EQ 1: From its inception, the FSDMoç program has had a very strong focus on building itself around evidence and in-depth political economy analyses, in

order to correspond to the needs of the targeted beneficiaries. The body of knowledge produced during the period of implementation and the clear willingness of management to adapt to changing circumstances, are clear indications of the ongoing attention given to being, and then staying, relevant. The program's alignment with national strategies and collaborations with other actors are well documented and add to the coherence of the program with other players and their policies and strategies. The research shows that the FSDMoç program has filled a clear gap in the market and is clearly relevant.

EQ 2: To what extent has the intervention achieved, or is likely to achieve, expected (or unexpected) high-level results and what are the strategic effects observed?

KEY EVALUATION CRITERIA REPRESENTED: Impact and Effectiveness

Answer to EQ 2: Starting from one of the lowest ranked countries regarding financial inclusion, FSDMoç has worked on the three target levels for economic and social changes that are the core of the approach it has adopted, namely Macro, Meso and Micro. It has implemented a wide range of interventions, from studies to enable systemic changes, to pilot operations to try innovative solutions, including a wide circulation of ideas, innovations, and knowledge, to promote a greater financial inclusion in Mozambique. It achieved a high level of expected results - more than 4 million new bank / mobile wallet clients, awareness raising and support to both the banking and the insurance sectors, implementation of new financial service delivery channels through mobile and agent banking, support to Fintech development and financial innovative institutions to test new approaches and develop new products, valuable researches regarding the financial environment and its limitations for financial inclusion, large and diversified support to financial education. It also contributed to create the bases for more financial inclusion by reinforcing some of the required infrastructures (geo-localization of points of services or financial institutions' clients, support to interoperability between banks and mobile operators); and it induced open-mindedness among legislators. FSDMoç also gained unexpected results – such as the creation of a Fintech association. However, the inclusion that took place seems to be still supporting a limited range of financial services – mainly access to deposits/cash security and payments/transfers and, to a minor degree, insurance (funeral insurance). Much more results are still to come, when financial inclusion main stakeholders – government institutions, legislators, major formal financial institutions – assume the challenge of financial inclusion and switch their conservative and bureaucratic working paradigm, without jeopardizing sustainability and consumer protection.

EQ 3: To what extent has the intervention delivered its expected results via a resource-effective manner?

KEY EVALUATION CRITERIA REPRESENTED: Efficiency

Answer to EQ 3: The evidence shows that the FSDMoç has been able to deliver the results (outputs and intermediate outcomes) that were expected (i.e., in the log frames). The resources to which it had access were strategically allocated in a manner that reflects the change management strategy inherent in its ToC, and its management was done in a manner that clearly provided Value-for-Money.

EQ 4: Are the results achieved by the FSDMoç through its various interventions (intended or not) likely to be sustainable if FSDMoç does not secure ongoing external funding?

KEY EVALUATION CRITERIA REPRESENTED: Sustainability

Answer to EQ 4: There is no doubt that the FSDMoç has been successful in helping to bring about changes in frameworks and policies in the financial domain; these are sustainable. Most of its interventions can clearly be described as sustainable since the private sector partners that requested them have implemented them (there are exceptions, which is to be foreseen). It has also provided a wealth of knowledge-based products and knowledge-transfer events that have been well received and which have been used for further decision-making. At the micro level, the rate of usage of financial applications has been slow to increase, but more and more people have access; the experience of other countries shows that those results will increase in nature and number and the combined effects of the set of services will be sustainable. The research undertaken by this evaluation has also brought to the fore the important challenges facing the implementation of financial inclusion at the macro, meso, and micro levels.

EQ 5: To what extent has FSDMoç mainstreamed gender equality and empowerment, disability equality, the most vulnerable, and environment and climate change in its planning and execution of its relevant plans?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Effectiveness

Answer to EQ 5: Although the ultimate-level effects (i.e. impacts) of FSDMoç investments are not yet observable, the FSDMoç has worked with its funding partners from the start to ensure that the partners' gender strategies are mainstreamed in the financial inclusion thrust. It has generated strategic level documents that show what it has done and what it can do to support the SDG number 5 on women's equality and empowerment via financial inclusion and digital financial services. It prepared a gender strategy in 2015 which evolved into a Gender and Social Inclusion (GESI) Strategy in 2019 which went beyond gender into youth, physical and mental impairment and other social objectives. Every investment has mainstreamed the GESI.

EQ 6: Are there mechanisms in place to deal with the most important priority contextual and business environment changes required in Mozambique to enable

the financial system to better serve the development-related needs of its population and financial institutions?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Sustainability

Answer to EQ 6: Largely due to the research conducted (and widely distributed) by the FSDMoç, all the players dealing with financial inclusion in Mozambique can be aware of the context and environment changes required for financial inclusion. There are coordination mechanisms (improvement possible) and strategic plans in place. The major stumbling blocks are a) regulatory and policy bodies are not fast enough to change b) the market is weak in terms of demand and c) private sector and third-party players do not have the capability to innovate in the Mozambican context. The players referred to above are consistent in their assessment of the high value-added of FSDMoç and see the role of facilitator and content provider as essential.

Based on the analysis of the findings and the answers to the Evaluation Questions, the following are some of the key strategy-level conclusions that emerged from the evaluation: More detailed expressions of these conclusions are found in the report.

Statement of conclusion 1. The effects that FSDMoç seeks to generate are relevant to the economic and social development of the people of Mozambique and if FSDMoç were not able to help generate them the well-being of Mozambicans (as referenced by the SGDs) would take much longer to significantly improve, if ever.

Statement of conclusion 2. FSDMoç has been particularly effective in facilitating and enabling the development and roll-out of innovative financial digital solutions required by the market and designed specifically for market conditions.

Statement of conclusion 3. Although there have been many monitoring and compliance-type reports written on the FSDMoç over the years, there are few that mention effects that were, or were not, generated by FSDMoç. The justification most often used is that the effects generated by FSDMoç will not be observable in the short-to-mid-term.

Statement of conclusion 4. The program contributed through a range of actions to help various government agencies and private sector operators of all kinds to build access gateways for financial inclusion, particularly but not only the use of digital finance to change the financial sector landscape in the country where fintech and innovations did not previously exist.

Statement of conclusion 5. FSD programs are different from standard donor funded programs due to their focus on systemic change in a complex business and social environment categorized by a strong resistance to risk in financial institutions and those that support them.

These facts lead to the conclusion that FSDs should be built for the long term and donors should base their assessments and expectations on that timespan. The evidence shows that the broad macro context and the state of financial sector development/ financial inclusion in Mozambique demonstrates both the need for, and the difficulty of, delivering a market development program in a challenging context. There is long term value of financial sector development/ systemic change contributing to economic growth and improved livelihoods.

Statement of conclusion 6. The performance of the FSDMoç in terms of the generation of the expected program output results until June 2020 is good to excellent, depending on the indicator. The results to June 2021 improve on those results. The social and human effects generated by those results are not yet observable as a rule but there is no reason to believe that they will not be generated over time as a more comprehensive set of components of the financial inclusion ecosystem are put into place.

Statement of conclusion 7. FSDMoç's interventions are not always able to generate their intended results because the regulatory framework in the Country and/or the administrative bureaucracy act as serious constraints to change,

Statement of conclusion 8. Based on rigorous evaluations done by trustworthy sources over many years, the FSDMoç has been a good development partner for Sida because, in addition to having been effective in executing its workplans, it operates in an efficient manner with an excellent performance dealing with economy, a good rating for equity and an overall good rating for Value for Money.

Based on the above, the following are the three most relevant strategic conclusions. (Additional recommendations are included in the report.)

Recommendation statement 1. Sida should continue to provide financial support to the FSDMoç; it should also insist that the FSDMoç develop its investment and management monitoring systems so that it, as well as its funding partners, enhance its ability to monitor and qualify/quantify higher-level effects.

Recommendation statement 2. The Central Bank, as the agency responsible for the implementation of the national financial inclusion strategy, should develop and put into place coordination systems that leverage the comparative advantage of all stakeholders involved and put in place a program approach to link all players involved in financial inclusion strategies. It should tie this approach to more effective mechanisms for decision-making within the GoM relative to improving the effectiveness of financial frameworks and removing constraints for financial systems innovation. An approach like matrix management would enable a "client" to emerge while other resources would support a concerted effort with clearly defined responsibilities.

Recommendation statement 3. Sida, FSDMoç, the Central Bank and other key stakeholders should immediately expand the national financial inclusion strategy to include an analysis of the financial, human resources and policy gaps required to meet the expectations of that plan. An equivalent of a “task Force” should do this and report to the Central Bank post-haste.

1 Introduction

This assignment has been commissioned by the Embassy of Sweden in Maputo to Nordic Consulting Group, Denmark A/S (NCG). The focus of the evaluation is the performance of the Financial Sector Deepening Mozambique (FSDMoç) program, co-financed by the development cooperation agencies of the UK (UK Aid – FCDO, former DFID) and the Swedish (Sida) governments.

Support to FSDMoç, was a six-year program funded by the UK Department for International Development (DFID, now called the Foreign, Commonwealth and Development Office or FCDO) and the Swedish International Development Cooperation Agency (Sida). DFID documents note that its support to financial inclusion began in 2012¹, while various documents point to a formal start date of 2014, while Sida joined as a financing partner in 2016. The FCDO support was extended to December 2021 while the Sida delegation agreement with FSDMoç terminated in June 2020. DFID managed the program through an execution/implementation agency and selected DAI (Europe) through a competitive process.

1.1 Purpose and objectives of the evaluation

The **purpose** of the evaluation, according to the Terms of Reference (see Annex 1), is to “determine whether the obtained results (achieved by FSDMoç) motivate a continued commitment in the current context.”

The **objectives** of this evaluation are to²:

- “Evaluate the Swedish support to FSDMoç in Mozambique (2016-2020) in relation to the objectives set, as well as to
- Formulate recommendations as input to upcoming discussions concerning the preparation of a new phase of the intervention”

1.2 Scope of the evaluation

The **TEMPORAL** scope coincides with the past Swedish participation in the Financial Sector Deepening Mozambique Program (i.e. 2016-2020).

¹ For example, “Annual Review. Post April 2018” dated June 2020. Some inception studies were done prior to the beginning of the program, therefore DCFO documents sometimes refer to 2012.

² Extracted from the ToR, page 5.

The **THEMATIC** scope of the evaluation is very specific: it is the **PERFORMANCE** of the FSDMoç that is being evaluated. This has been taken to mean what FSDMoç had proposed to do in its various plans as defined by the specific formal arrangements and agreements it had with its funding partners. Specifically, the evaluation assessed the extent to which the expected results (at the output and the effects levels of the Theory of Change (ToC) were achieved. As a management assessment measure, the evaluation has also ascertained the extent to which the recommendations that were made during any formal reviews were implemented.

It is noteworthy that since the performance of the FSDMoç is at the core of the evaluation, our team focused on the **EFFECTS** actually generated by the FSDMoç, as compared to the expectations of funders with respect to the Theory of Change, and the contractual agreements between them and the FSDMoç. Since a part of the products generated by that organization are analytical reports and their recommendations, a concerted effort was made to see the extent to which these recommendations were implemented and the extent to which the FSDMoç has contributed to the changes that were made as a result of the reports and recommendations. FSDMoç has also put into place a comprehensive set of financial inclusion awareness and concertation actions such as webinars, conferences and working meetings. Since FSDMoç has invested in the development of systems, tools, standards, and other products related to financial inclusion, we have analyzed the results achieved (in terms of the likely effects that should be generated) with what was expected.

1.3 Methodology overview

One of the defining characteristics of this evaluation is that the available time for its execution was very limited. It also occurred in the context of the COVID-19 pandemic thereby significantly restricting person-to-person contact.

The overall evaluation process followed Sida guidelines that involved, among other things, a three-phase approach (Inception, Implementation and Synthesis); a focus on evidence; the use of evaluation questions and judgment criteria as a research process; and the development of conclusions based on findings and recommendations based on conclusions. Because of the short time frame, the main evaluation tool used was documentary analysis and validation through interviews, the latter being largely carried out by videoconference or email. The FSDMoç program has, over the years, generated much evidence-based documentation and analyses, and the level of confidence (i.e., validity) in the contents of those documents is very high, due largely to the cross-validation that took place between documents and the high quality of the reporting done by recognized expert teams.

The Evaluation report was analyzed by the client and key advisors in Mozambique and comments made to the team were incorporated into the final draft. A videoconference was also held with the team members and the main Mozambican stakeholders in attendance. The observations of the latter were also incorporated into the final draft.

A more detailed description of the methodology is included as Annex 2.

2 Contexts

It is extremely difficult to synthesize the complex set of contextual variables in which the FSDMoç program has taken place. To provide a general picture, a highly condensed overview is presented below:

- **Poverty**

Mozambique remains one of the poorest countries in the world with an average GDP per capita of 460 USD in 2020³ and with latest figures indicating that between 85% and 90% of the population live on less than 1,90 USD per day⁴. When looking at one of the main “ultimate” beneficiaries⁵ of the FSDMoç program, the rural poor, the picture does not become more positive as poverty is even more widespread in rural areas as opposed to urban. This is an important contextual issue to keep in mind as working with financial inclusion in this setting is difficult and the expected effects need to be seen in the light of target beneficiaries that, in many cases, live in extreme poverty.

- **Covid-19, debt crisis, natural disasters, and insurgency conflict in Cabo Delgado Province**

In connection to the above it should be mentioned that Mozambique has experienced a series of economic shocks that has affected the context that FSDMoç works in. This includes devastating natural disasters and quite severe economic repercussions from the debt crisis. Most recently the Covid-19 pandemic has had the country in lock down for prolonged periods of time and there has also been an armed insurgency in the north of the country. These shocks will no doubt have had an impact on implementation and the programs’ ability to adapt to changing circumstances.

- **Gender and youth**

Gender inequality remains an issue in Mozambique and the Embassy of Sweden (EoS) has placed it at the core of its national programming (for example its contribution to the Rapariga Biz project). Fewer girls finishing all levels of education, high maternal health risks, pressure to marry at a young age, limited economic prospects especially in formal employment, obstetric fistula, gender-based violence, and accepted cultural norms all place women at a high disadvantage, while also being

³https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?most_recent_value_desc=false&view=chart

⁴ [Statista.com](https://www.statista.com)

⁵ The program indicates that “beneficiaries” are located at various levels, depending on the support provided by FSDMoç and the use that is made of the products and deliverables that are generated. Beneficiaries can range from the Macro level such as government regulatory agencies to micro level such as the eventual users or the providers of financial services.

at a disadvantage⁶ in access to formal financial inclusion. The story continues for youth who account for an estimated 60% of the financially excluded part of the population⁷. How FSDMoç has situated itself and worked with cross cutting issues in their partnerships has been a topic of interest for the ET.

• **Lack of interest from banks in rural Mozambique and agriculture**

There are 19 commercial banks in Mozambique. Most of these banks are subsidiaries of foreign banks, primarily from Portugal and South Africa⁸. These banks are concentrated around the economic centers of the country and continue to have limited penetration in rural areas in the form of bank branches and agents⁹. Documents show that they are extremely risk-averse and do not work with SMEs (with exceptions). Access to finance and insurance for the rural population remains notoriously difficult and is a complex issue to solve. Concerns about commercial viability, that to a certain extent are valid, coupled with limited knowledge, availability of instruments and interest from the banks remain some of the issues that need to be addressed for improved financial services for the rural poor. Some 80% of the population are employed in the agricultural sector, with the vast majority living in poverty¹⁰. Increased access to financial services is seen as an important driver for economic development and lifting the rural population out of poverty, but banks and large insurers do not typically work in these domains or geographic areas. It is within this important context that FSDMoç places itself as a driver for change.

• **National Financial Inclusion Strategy**

Increased financial inclusion has been part of the GoM's economic policies for many years. A focus that has increased in recent years and led to the development of the Financial Sector Development Strategy in 2013, which had the development of the National Financial Inclusion Strategy (NFIS) as one of its actions¹¹. 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

⁶https://reliefweb.int/sites/reliefweb.int/files/resources/Mozambique_Gender_Factsheet_September_2019_updated.pdf

⁷https://finmark.org.za/system/documents/files/000/000/154/original/Mozambique_Pocketguide_English-2020-07-21.pdf?1597303342

⁸ <https://documents1.worldbank.org/curated/en/614411526647372508/pdf/Concept-Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Mozambique-Financial-Inclusion-and-Stability-Project-P166107.pdf>

⁹ <https://documents1.worldbank.org/curated/en/732551572441523589/Mozambique-National-Financial-Inclusion-Strategy-for-2016-2022-Mid-Term-Review.pdf>

¹⁰ [file:///Users/jakobfaarbaek/Downloads/Report+Access+to+Financial+Services+in+Agricultural+Sector+in+Mozambique%20\(2\).pdf](file:///Users/jakobfaarbaek/Downloads/Report+Access+to+Financial+Services+in+Agricultural+Sector+in+Mozambique%20(2).pdf)

¹¹ <https://thedocs.worldbank.org/en/doc/469371468274738363-0010022016/original/MozambiqueNationalFinancialInclusionStrategy20162022.pdf>

FSDMoç program is positioned within this strategic framework and is very much aligned with the NFIS.

• **Regulatory framework and Information and Communication Technology infrastructure**

Digital financial tools are seen as one of the key areas to further financial inclusion not only in Mozambique but also in other parts of the world that have limited access to traditional banking¹². The Information and Communication Technology (ICT) infrastructure and regulatory framework within Mozambique, while improving, remains underdeveloped and with a limited geographic coverage. There are many examples of the need for regulatory reform that is in line with the needs of the financially excluded. One such example is the agent banking, where the regulatory requirements make agent banking in remote areas unattractive to banks. The development of a regulatory framework and ICT infrastructures that are conducive to the needs of FinTech's is a key element in attracting foreign investors to develop the needed instruments. In connection with this, stakeholders need to have the required knowledge to support the process of developing innovative solutions to create a more conducive framework for attracting investments. Contributing to a conducive regulatory environment is one of the core mandates of the FSDMoç program.

In connection with the section above, the Central Bank (BoM) is a key player in the development of the financial sector through its role as a regulator. The BoM and FSDMoç have entered into several partnerships aimed at financial inclusion. The Sandbox Incubator is one such partnership that is aimed at increased interaction between regulators and FinTech's by reducing risks.

12 http://FSDMoç.com/wp-content/uploads/2020/05/fintech_moz_2020_eng_v2.pdf

3 Overview of the program

3.1 Background of the FSDMoç program

The FSDMoç was a six-year (2014-2020) program funded by DFID (now FCDO) and SIDA. The mission of FSDMoç is to identify and partner with key stakeholders, offering them targeted investments and insights to unleash the potential of the financial sector and improve financial inclusion. Development Alternatives, Inc. (DAI) has been the service provider contracted to deliver the program for the period March 2014 to March 2019. The program was extended by 11 months (from April 2019 to March 2020). A further extension was signed between FCDO and DAI from June 2020 – December 2021 to transition FSDMoç into an independent entity.

The program is part of a broader Financial Sector Development Network (FSD Network) that includes nine FSD entities (Tanzania, Uganda, Zambia, Mozambique, Rwanda, Kenya, Nigeria, FinMark Trust and FSD Africa) operating under different structural arrangements across Sub-Saharan Africa. All of them have been established and funded by DIFD (now called FCDO, an acronym for the UK's Foreign, Commonwealth & Development Office) initially and currently sit under the umbrella of FSDA (Financial Sector Deeping Africa) which aims to promote coherence, share best practice, and realize economies of scale across the network.

The core objective of FSDMoç is to expand levels of financial inclusion by addressing constraints in the financial market, helping the diversification of Mozambique's economy, and bringing prosperity and economic resilience to Mozambique's people. Based on this, FSDMoç supports key financial sector stakeholders to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve. This objective is split across the following:

- Improve the financial capability of households and MSMEs.
- Enable Financial Service Providers (FSPs) develop and/or deliver appropriate financial services to women, men, and MSMEs.
- Promote the provision of adequate financial infrastructure and services to support financial inclusion.
- Ensure the provision of relevant information about the supply and demand for financial services are available Spearhead efforts to improve the policy and regulatory environment for financial inclusion.

The FSDMoç Theory of Change (ToC) addresses the main market system challenges, which impede financial inclusion of individuals and MSMEs. These are identified in three levels:

Macro level: (i) Inadequate enabling environment for financial service growth; (ii) Interventionist government policy distorts market incentives; (iii) Slow responsiveness to new services e.g., branchless banking.

Meso level: (i) Lack of infrastructure to overcome information asymmetries; (ii) Collateralization difficult given current arrangements; (iii) Lack of alignment in payment system; (iv) Shortage of good financial information and market analysis.

Micro level: (i) MSMEs lack ability to develop financial statements; (ii) Low financial capability of smallholder farmers, poor and marginalized; (iii) Low ability of banks and NBFIs to innovative products and services; (iv) Highly profitable banks lack incentives to go down market.

The program was designed to apply the “Making Markets Work for the Poor” (MSD) approach to their activities and investments based on 4 pillars:

- **Systemic Action:** Facilitate correction of market and government failures to stimulate financial inclusion.
- **Facilitative Role:** Catalyze private and public investment in financial sector market systems by encouraging market actors, rather than by displacing them. This will lead to more functional market systems and allow for the crowding in of other market players.
- **Leveraging Impact:** Target large-scale impact by identifying points of leverage within market systems (i.e., key intervention nodes that affect the largest number of people with minimal financial investment).
- **Sustainable Interventions:** Ensure sustainability by aligning market actors (both private and public) with the correct incentives to perform efficiently, then exiting as soon as market actors are able to perform.

FSDMoç has, since its introduction, been intended as providing an instrumental role in directing the activities of both international and local stakeholders in the area of financial deepening. FSDMoç has since the formulation of the National Financial Inclusion Strategy (NFIS) played a key role in activities aimed at consolidating interests of the GoM, regulatory institutions and the private sector for the purpose of expanding financial inclusion in underserved areas.

FSDMoç’s “Market Development Fund” provided grants to:

- Co-fund business expansion strategies of financial service providers as part of budget support and/or for specific capacity building/technical assistance activities.
- Co-fund feasibility on new business models.
- Finance specific studies to inform its own investments, as well as policy formulation, and to demonstrate business case for financial services in a particular market segment.

- Technical assistance and training to market facilitators such as business associations and networks, and advocacy groups, as well as policy makers and other financial sector champions.

In principle, all FSDMoç interventions must go through a thorough process of selection and approval, first by the FSDMoç team, and later by the Investment Committee made of three persons: two private sector representatives and one FCDO representative. According to the delegated cooperation agreement Sida will participate in the Investment Committee as Observer. All interventions below 25K are approved via non-objection and submitted to the IC chairperson. In this regard, the IC and FSDMoç are formally informed and the approval for the intervention comes from the IC chairperson.

All the most modern research on financial inclusion directed to assist in poverty reduction point to the need to adopt a multi-pillared approach such as that proposed by the MSD. In the case of countries with more extreme levels of poverty, (ex., Mozambique), a combination approach is required; the need is such that a high level of coordination effectiveness is required to ensure that the various components are brought together in a timely and leveraged way. This is covered in this report, especially in the conclusions and recommendations. The FSDMoç has been acting in all four of the pillars; in so doing it has positioned itself to fill a policy and implementation gap that needs to be filled by “somebody”. It is up to the GoM and the Central Bank to define the role that they should play in relation to that played by the FSDMoç.

3.2 Overview of the financial aspects of the FSDMoç interventions

FSDMoç initiated its activities in early 2014 with the first financial transactions in February 2014. Sida signed an agreement on delegated cooperation with DFID regarding FSDMoç in 2016. This agreement covered the period 16 November 2016 to 31 December 2019 and has thereafter been extended to 30 June 2020.

Sida Transfers

Sida agreed to provide a maximum amount of SEK 40 million (equivalent to GBP 3.6 million) while the DFID support amounted to GBP 13.3 million. The Sida funds were transferred to DFID. The Sida appraisal of the program¹³ suggested that two instalments should be done per year to mitigate risks. The following transfers have been done and have been converted to GBP 3,610,328:

¹³ Sida Financial Sector Deepening Mozambique, appraisal of intervention, final, March 2016

Table 1: Sida transfers to FCDO

Date	Amount, SEK
14/12/2016	12,000,000
05/07/2018	12,000,000
03/12/2018	12,000,000
04/12/2019	4,000,000

FSDMoç Budget and Execution February 2014 – March 2020

FSDMoç started its activities in February 2014. The total budget and accumulated amount spent for the period ending 31 March 2020 is as follows¹⁴:

Table 2: FSDMoç Budget and Execution to 31 March 2020

Category	Budget, GBP	Execution, GBP	Exec. Rate
<i>Project Management</i>	6,830,200	5,856,086	86%
<i>Project Expenditure</i>			
MDF Disbursements	8,264,736	6,754,723	82%
<i>Operational Expenditure</i>			
Travel	408,077	278,639	68%
Daily Living Cost	366,038	357,935	98%
Equipment	143,347	96,065	67%
Other Expenses	797,754	786,019	99%
TOTAL	16,810,152	14,129,467	84%

All Sida committed funds were not spent by 31 March 2020, however, FCDO and Sida have explained that the balance remaining from the SIDA contribution (£1,355,957) was required to pay for activities started and finished being implemented by March 2020 by FSDMoç before end of contract¹⁵.

Market Development Fund

The main area of interest for the evaluation, insofar as the performance of the FSDMoç is concerned, is the Market Development Fund, with rules and procedures well detailed in a manual¹⁶.

Detailed information on cumulative spending per intervention / partnership has been a bit cumbersome to find as this has not been included in the FSDMoç annual reports as well as in the audit reports. However, DAI provided information from the “project tracker” and FSDMoç the “one-pagers” which contained financial information from which the table below, with interventions / partnerships with the highest cumulative spending in GBP to 31 March 2020, has been extracted. These projects, totaling

¹⁴ FSDMoç Annual Report 2019/20, April 2020

¹⁵ Specifically, all Sida funds were spent by March 2020, however, these were not yet justified as the justification and approval of expenses requires proof and evidence that funds were spent accordingly. So the full amount was spent but justified with some delays.

¹⁶ FSDMoç Funds Management Manual, October 2014

£4,422,193¹⁷, represent 65% of total MDF disbursements, with the biggest one (MPesa extension) benefiting from 11,5 % of the total spent. A table with all disbursements by the Market Development Fund from the start to 31 March 2020 is included in Annex 8¹⁸.

Table 3: Partners and projects with highest amounts spent (GBP)

Partner	Project	Amount
Vodacom	Vodafone M-Pesa & Extension, etc	779,089
BancABC	Agency Banking Project	448,309
CARE / Ophavela	SFSG-Sustainable Formation of Savings Group	376,931
Banco Único	SME Finance and Business Development	370,410
Letshego	Comprehensive Agency Banking for Rural Sites	318,960
Solar Works	Energy PAYGO Financial Market Disruptor -Solar Works	298,059
Banco de Moçambique	Fintech Sandbox Regulatory Incubator, Interoperability	294,826
BCI	Rural Banking Project	225,711
AMT + MS	Electronic ticketing for financial inclusion	207,844
Bank Big	SME Finance and Market Development	200,514
Aga Khan F / UX	SFSG-Sustainable Formation of Savings Group	195,193
ISSM	Roadmap for Micro-Insurance Development in Mozambique	169,930
NBC	ILO-NBC Micro Insurance and Micro Pensions	158,337
Socremo	Digital Financial Services Introduction	152,542
Zoona	Financial Education and Communication	133,816
Bolsa de Valores	Support for Institutional Development	91,722

Annual Audits

The FSDMoç financial year is 1 April – 31 March. The first audit report covers the period 1 Feb 2014 – 31 Mar 2017, thereafter the audits have been done annually, 17/18, 18/19 and 19/20. The audits have been done by BDO and includes an Independent Audit Report, a Management Letter and a Compliance Report.

The Sida delegation agreement (section 5.5) stipulates that financial and audit reports should be made available within three months after the end of the project year. The initial audit was severely delayed, thereafter audit reports have been submitted within 4 – 9 months after the end of the respective FY. One reason indicated for these delays is that for each FY there has been a procurement process for audit services, instead of,

¹⁷ The evaluation team has had a difficult time in ensuring that this evaluation report contains the exact figures, because the source of the data often defines the amounts. Sometimes the sources we used were not the final versions of reports either. A recent communication with FSDMoç indicates that their calculations show that the amount should be GBP 6,745,876. The team's access to the FSDMoç's MDF Tracker only happened once this section was written, and it did not have the time to fully re-do its analysis. In any case, the exact amount is less important (in terms of the evaluation objectives) than the relative amounts paid out to partners.

¹⁸ FSDMoç has provided a considerable amount of information on each intervention, including what is called a "one-pager".

for example, contracting audit services for a multi-year period. In addition, ToR are developed and submitted for FCDO approval, only thereafter procurement can start. The Independent Audit Reports notes that the accompanying financial statements presents fairly, in all material respects, cash receipts and disbursements. The overall impression from the review of the audit reports is that some problems existed during the initial years, which were resolved. It can therefore be concluded that, according to the auditors, the performance of the finance function of FSDMoç has been satisfactory.

3.3 Overview of the FSDMoç and its interventions

As detailed in the FSDMoç Inception Report – 5 Year Strategy (2014), FSD interventions are guided by its mission “to identify and partner with key market stakeholders, offering them **targeted investments and insights to unleash the potential of the financial sector** to improve financial inclusion”.

FSDMoç’s strategy can be considered as comprehensive. It aims at addressing issues and promoting improvements at the 3 levels of financial inclusion, macro – at national policies and regulations levels, meso – at sectorial and infrastructure levels, and micro, at financial services providers and users. FSDMoç’s approach has been very innovative, using a “Problem Driven Iterative Adaptation” (PDIA) approach (see footnote) in trying to address a full range of issues at the three levels, and experimenting with different kinds of activities to alleviate the constraints that prohibit the financial sector to reach the low-income potential user, its final target beneficiaries. Trials are undertaken but failures are a source of lessons learned and, if feasible, a second or third try is supported. The processes are highly contextualized in order to avoid “isomorphic mimicry”¹⁹, that is the import of approaches and models that have worked elsewhere without fundamental attempt at contextualizing. However, despite all the efforts demonstrated by FSDMoç, not all its interventions have yielded the expected results, as FSDMoç actually relies on the identified partners to implement the foreseen changes and innovations. Information received from FSDMoç indicates that partners financed the “innovations” for over 50% of the cost.

The following paragraphs illustrate the scope of actions and interventions undertaken by the FSDMoç. The typology used by the FSDMoç follows a Macro-Meso-Micro nomenclature (it is also used in the M4P approach it has adopted), but some

¹⁹ Refer to the work of the team at the Center for Global Development and the leadership of Lant Pritchett on the topic. PDIA is an offshoot of that work and was developed at the same institute (under the organization called the Center for International Development). PDIA is an official FCDO approach.

interventions are not easily catalogued into one or the other of these three. Various documents examined by the team have them in different categories.

At Macro level, FSDMoç has worked closely with the legislators and regulatory institutions and has promoted knowledge acquisition and innovation exposure through activities like trainings, conferences, events, research and report publication.

In addition to its valuable use for policy decision-making and strategy development, FinScope studies can be considered as a major “tool” for understanding and developing strategies for rolling-out financial inclusion. FinScope studies, initiated under the multilateral donor-funded Financial Sector Technical Assistance Project (FSTAP) in 2009, and further updated (2014, 2019) have provided key national information for understanding the financial inclusion situation in Mozambique, and for guiding and evaluating its progresses. FSDMoç supported the 2019 FinScope study and further deep insights analysis based on its results (Deep dive analysis on Census and FinScope data, FinScope Gender Lens). FSDMoç also actively built upon and circulated FinScope analyses (i.e., evidence-based decision-making) both the 2014 and 2019 data sets.

Noteworthy is the close connection between FSDMoç and the BoM, one of two premier policy developers, decision makers and financial systems regulators in the Country. FSDMoç support to the BoM includes:

- Studies and seminars **regarding** legislations and its constraints for financial inclusion, i.e., Bank and Non-bank Agent Networks Ecosystem Study, Digital Finance Services Ecosystem, Case Study on Lessons Learned and Achievements of FSDMoç on DFS, Case Study on Alternative SME Finance and Informal Finance.
- Digital finance: implementation of a sandbox, to help BoM to better understand what kind of services DF service providers could offer, and how they could/should be regulated to authorize and frame their activities.
- Support for revision of current banking legislation.
- Support financial inclusion strategy **implementation**, assessing financial education strategy and design of monitoring and evaluation system; study: Impact evaluation of BoM Financial Education Program.
- Active Participation to the National Financial Inclusion working groups, namely.
- Events and conferences, to circulate information and promote stakeholders’ interest regarding financial services new delivery channels, new technologies.

FSDMoç has also acted on the premise that financial inclusion is also the purview of non-banking and non-transaction institutions that must be involved at many levels. In that light, FSDMoç has developed relationships with and has collaborated on initiatives with the ISSM, the government institution in charge of regulation and supervision of the insurance sector.

Examples of outputs include:

- Studies regarding “micro-insurance landscape” and potential for MI development²⁰).
- Training to support MF innovation and extension (Use of GIS in insurance sector, “Human centered” insurance products²¹) geared towards promoting an “open minds” approach among participants regarding new approaches for insurance services design and delivery.
- Conferences, events, to circulate MI information and promote MI interest from stakeholders.

Early 2020, FSDMoç and ISSM agreed to create a two-months “Inclusive Insurance Accelerator”²², a “sandbox” experiment to allow insurance stakeholders training, new MI product development and delivery channels experiments. This accelerator should facilitate the revision of the current out-of-date legislation.

FSDMoç has also been highly active in developing capital markets and the oversight and operation bodies that manage them. It has participated in capability development with the stock exchange market (SEM, or BVM - Bolsa de Valor de Moçambique in Portuguese) in reviewing stock market regulation (Private Equity Legislation study). In terms of capability enhancement, it has supported the training of BVM staff and exposing them to mature stock exchanges experience, supporting the preparation and implementation of the BVM strategic plan, supporting new, more inclusive and SME oriented stock exchange facilities like a “3rd market” for SME, and supporting BVM financial education activities. FSDMoç also produced a study to circulate SME’s opportunities knowledge among entrepreneurs and investors: SME Finance and market development – Gap analysis and investment attractiveness report. FSDMoç has been highly active in developing capital markets and the oversight and operation bodies that manage them. It worked with the stock exchange market, BVM, in reviewing stock market regulation (Private Equity Legislation study), supporting new, more inclusive and SME oriented stock exchange facilities like a “3rd market” to prepare SME to enter the stock exchange market, and supporting BVM financial education activities.

20 “Roadmap for the development of a Broad and Sustainable Micro-Insurance Ecosystem in Mozambique” Robsmic, 2018”; “Landscape of inclusive insurance in Mozambique, 2021”

21 Instead of the normal “enterprises centered” products; the training allowed to bring to Mozambique international recognized (micro-) insurance specialists, with the participation of both ISSM and insurers. From this training, new insurance products emerged, with the “tolerance” and under the supervision of ISSM, like “Xitique” and “Farmacia” (source: Insurer interview)

22 Source: “Comunicado de Imprensa - FSDMOÇ E ISSM Lançam Projecto de Aceleração de Seguro” (no date)

Finally, FSDMoç worked with the communication regulator, the Mozambique National Institute for Communication – National Regulatory Authority (INCM-ARECOM) to facilitate the collection and use of digital data, and greater expansion of digital/communication networks through the revision of the decree 62/2010 Sharing of Passive Infrastructures for telecommunications and network resources, required to allow interoperability of the telecom operators infrastructures.

At the Macro level, FSDMoç has been very active in changing (contributing to changes) the framework and ecosystem that oversees and defines the rules of the game for financial inclusion.

At Meso level, FSDMoç facilitated the expansion of financial infrastructures, with particular emphasis on supporting digital inclusion and new financial services delivery channels (banking agent, mobile wallet, etc.). Some examples are:

- Contribution to the Spatial Development Program SDP (now Spatial Development Agency - ADE) for the mapping of access points in the SDP GIS database, geo-localization of insurance clients (weather index insurance);
- Support interaction between operators, to promote interoperability.
- Feasibility studies and construction of digital data platforms (Robobo, public transport electronic ticketing);
- Events and conferences, to circulate information and promote stakeholders' interest regarding financial services new delivery channels, new technologies.

FSDMoç also worked towards regulators institutional strengthening BVM: staff training, preparation, and implementation of the BVM strategic plan.

At the micro level, FSDMoç promoted the use of financial innovations with ultimate beneficiaries. For example, it undertail to support efforts aimed at:

Financial education: FSDMoç supported mass-oriented F.E programs of BoM, ISSM and BVM. as well as more targeted F.E. activities like the one directed to the beneficiaries of the WB-INAS post-disaster subsidies, in Gaza Province. It also supported F.E intended for potential bank's customers (BCI, Letshego, BankABC) The Banco Unico "PME Academy" in Maputo is a unique training program aimed at SME's managers to improve bankability. These experiences allowed FSDMoç and its strategic partners to produce effective and contextualized FE material and gain experience regarding what works and what does not in awareness raising and monitoring approaches. It should be noted that the objective of each of these initiatives are not exactly the same.

Development of new products that were designed to improve access to financial services include:

- studies to support innovations and alternative finance mechanisms for MSME;²³
- R and D for digital services innovation and delivery channels' diversification;²⁴
- insurance products development to feed “business cases”²⁵.

Service expansion: deployment of banks through classic agency (BCI, Palma26) and agent banking (BankABC, Letshego, Letshego+JFS+ICC), Mobile Wallet development: MPesa's Mobile for all (M4all) project,

Fintech regulation and expansion: FSDMoç facilitated the adoption of fintech regulations, and Fintech initiatives have been supported to pilot new products and services. However, the development of fintech in the roll-out of financial inclusion is still limited as the BoM still has not licensed any of the sandbox Fintechs.

By supporting in a wide variety of innovative initiatives, FSDMoç have been acting as an “ideas stirrer” The results of these multiple activities are very much praised by FSDMoç partners, even when not producing immediate or expected results, because they helped to gain knowledge, and understanding on how “things work”. Targeting the three levels of policies (Macro), infrastructures (Meso) and financial services providers and ultimate beneficiaries (Micro) allowed for each level to benefit from the results of other levels' experiments and improvements. And in one way (knowledge acquisition) or the other (concrete inclusion of previously excluded population, especially rural, women, and youth), these activities did contribute to the overall expected outcome “A broader and more inclusive financial sector in Mozambique”.

3.4 The Logic of the FSDMoç Theory of Change

This section²⁷ outlines the various documents that have defined the logic behind the need to develop financial inclusion in Mozambique and the specific way that FSDMoç has strategized how it would do that in the Country.

²³ For example, the MSME Credit Lines in Mozambique report, Tongasse case study (supply chain loan product development), Deloitte sectorial “Investment Opportunities in Mozambique” studies, Credit Lines 2015- Analysis of Credit Lines and Guarantee Facilities Promoting Access to Finance in Mozambique.

²⁴ For example; Digital registration, training and bookkeeping for savings groups (SOMA/UX and Ophavela), PayGo support (Solar Works!), GIS registration, Cashless Payment System (public transport E-ticketing),

²⁵ For example; Britam (Trade Credit Insurance Marketing), NBC life micro-insurance

²⁶ Due to insurgency attacks in Cabo Delgado, and in the district of Palma, in particular, this branch no longer exists. It was fully vandalized and destroyed. During the attacks, some of BCI staff disappeared, but luckily later found alive.

²⁷ Much of the background in this section is extracted from: Beck, T., Maimbo, S. and Triki, T., “Financing Africa: through the crisis and beyond”. Slight editorial changes were made by the authors of the IR, but it is acknowledged that part of the intellectual content of the section belongs to the Word Bank and the authors.

For decades, many studies and research documents have warned of the negative consequences of poorly functioning financial systems in Africa that most often responded to the needs of the elite and the commercial export interests of countries but left out the rest of the households and SMSE. A watershed event occurred when the World Bank published, in 2011, a massive study²⁸ outlining the state of the many layers of financial systems in Africa and the consequences facing those systems in the light of the challenges facing those who must deal with poverty reduction and growth. The report noted over 250 referenced studies and took almost five years to complete. The main points in the study are important to capture since they form the backdrop of the Financial Systems Deepening Africa (FSDA) movement and, to a large measure, the positioning of the FSDMoç.

The study asks: “What are the channels through which financial development and financial inclusion helps increase economic growth?” It notes that while financial systems assist in pooling savings, transforming maturity, and converting savings into capital accumulation, it is ultimately through improvements in resource allocation and productivity growth that finance helps economies grow more quickly. It is also through financial inclusion that the well-being of citizens improves and SME’s can be created and grow^{29,30}. The functions of attracting deposits and investment and transforming short-term claims into long-term assets, thereby financing investment, should obviously not be ignored; they are the basis for the ultimate function of finance, which is to put the savings of society to the best use, that is, put savings where they can reap the highest (expected) returns, thus translating into growth.

Financial deepening, especially, helps industries that rely heavily on external finance, but it also helps reduce the financing constraints on enterprises, particularly smaller firms³¹. Financial deepening thus, has a transformative effect on economies by shaping industrial structure, distribution by firm size, and even organizational structures³². It is thus the facilitating role of financial systems that helps foster economic growth. Finance provides opportunities for new entrepreneurs and fosters innovation and competition as well. Providing external finance to enterprises in the

28 “Financing Africa: through the crisis and beyond”.

29 References in section 3 refer to the WB study report. The link to the references is: https://documents1.worldbank.org/curated/en/633671468194645126/122290272_2015031170300344/additional/646640PUB0fina00Box361543B00PUBLIC0.pdf

30 This chapter relies on a “cut-and-paste” version of a section of the WB report. Slight editorial changes were made by the authors, but it is acknowledged that the intellectual content of chapter 3 belongs to the World Bank.

31 For example, see Rajan, Raghuram G., and Luigi Zingales. 1998. “Financial Dependence and Growth.” *American Economic Review* 88 (3)

32 Demirgüç-Kunt, Asli, and Vojislav Maksimovic. 2002. “Funding Growth in Bank-Based and Market-Based Financial Systems: Evidence from Firm Level Data.” *Journal of Financial Economics* 65 (3)

form of equity, debt, or some hybrid thus is critical to the positive impact of finance on growth. Recent cross-country comparisons have indeed found that it is enterprise credit, rather than household credit, that explains the positive impact of finance on growth³³. This does not mean that credit services for households are not important; the growth effect of financial development, however, seems to come mainly from enterprise finance. One therefore must look beyond credit services to other financial services in discussing the welfare impact of financial service provision on households. This casts a small level of doubt on the credit-led inclusion strategy often propagated by microcredit institutions and puts a premium on enhancing access to savings and transaction services.

The WB study also justifies why it is important to construct a regulatory and governance framework for financial inclusion that minimizes the risk of fragility and provides policy makers with better possibilities for managing in a way that is incentive-compatible; this justification applies as well to SME as to households and to the frameworks that guide supply and demand drivers. After the publication of the research, there was wide-ranging consensus that a stable macroeconomic environment protected by an appropriate regulatory and supervisory framework and strong internal governance systems were important parts of economic development strategies and for poverty-reduction strategies as well. In a nutshell, Africa's financial systems stand to gain significantly from deepening and broadening and, by extension from deeper financial inclusion through all levels of society. The question at the time was clear: "How does one go about doing this?"

Cross-country research indicates that financial deepening has a pro-poor effect³⁴. As in the case of economic growth, the economic effect of financial deepening on poverty reduction is strong. Other analysis shows that financial deepening can have broader effects on socioeconomic development than those captured by GDP per capita and the poverty headcount. The WB study also notes that financial systems development and use not only affects poverty but may also be linked to the other SDGs, which refer to education, gender equality, health, the environment, and global partnerships, to name a few. The study went on to examine the mechanisms of these poverty-reducing effects. On the one hand, providing access to credit among the poor (individuals and households) would likely help the poor overcome financing constraints and allow them to invest in microenterprises and human capital

33 Beck, Thorsten, Erik H. B. Feyen, Alain Ize, and Florencia Moizeszowicz. 2008. "Benchmarking Financial Development." Policy Research Working Paper 4638, World Bank, Washington, DC.

34 Beck, Thorsten, Asli Demirgüç-Kunt, and María Soledad Martínez Pería. 2007. "Reaching Out: Access to and Use of Banking Services across Countries." *Journal of Financial Economics* 85 (1)

accumulation³⁵. On the other hand, there would be indirect effects through small-scale enterprise financing, including through capital markets.

It is important to stress that this preliminary evidence has helped widen the debate on financial services for the poor beyond microcredit to other financial services, such as savings services, payment services (especially in the context of remittances from family members who have emigrated to other parts of the country or outside the country), and microinsurance services. A long-running discussion has centered on whether policy makers should focus more on banks or on capital markets and the relative importance they should give to these in contrast to SMSE and household-related finance. While each provides important financial services, the related technologies are different and the behavior changes that must take place are quite different.

Part of the logic of FSDMoç and similar organizations elsewhere is based on the finding that there is an ordering in the development of different segments of the financial system. Systems in low-income countries are typically based much more on banks, while capital markets and contractual savings institutions, such as insurance companies, develop at a later stage. It is therefore not surprising that all African financial systems are based heavily on banks and exhibit underdeveloped markets and poor financial inclusion ecosystem components. Not only is the capital market segment of these financial systems underdeveloped, but also the contractual savings component (insurance, pensions, and mutual funds) is small in most African countries, including Mozambique. Finally, there is a scale element to the development of capital markets, and small economies therefore have difficulty—even in the developed world—in sustaining liquid markets and in finding investors willing to take a risk in developing and applying Fintech applications to non-traditional markets that the banks simply do not want to exploit. There is a need to diversify the financial center away from a heavily bank-dominated system, but it is also important to recognize that artificially creating certain components of the financial system without the necessary demand and infrastructure will have limited economic benefit. Therein lies the challenge to financial inclusion, and FSDMoç developed a strategy that was “theoretically” supposed to generate enough leveraging from many parts of the financial ecosystem so that change could occur. The FSDMoç strategy represented the need to have a multi-faceted approach, working with different actors and providing the “entropy”, or “glue” that would enable a higher order of financial systems development to stabilize and become sustainable.

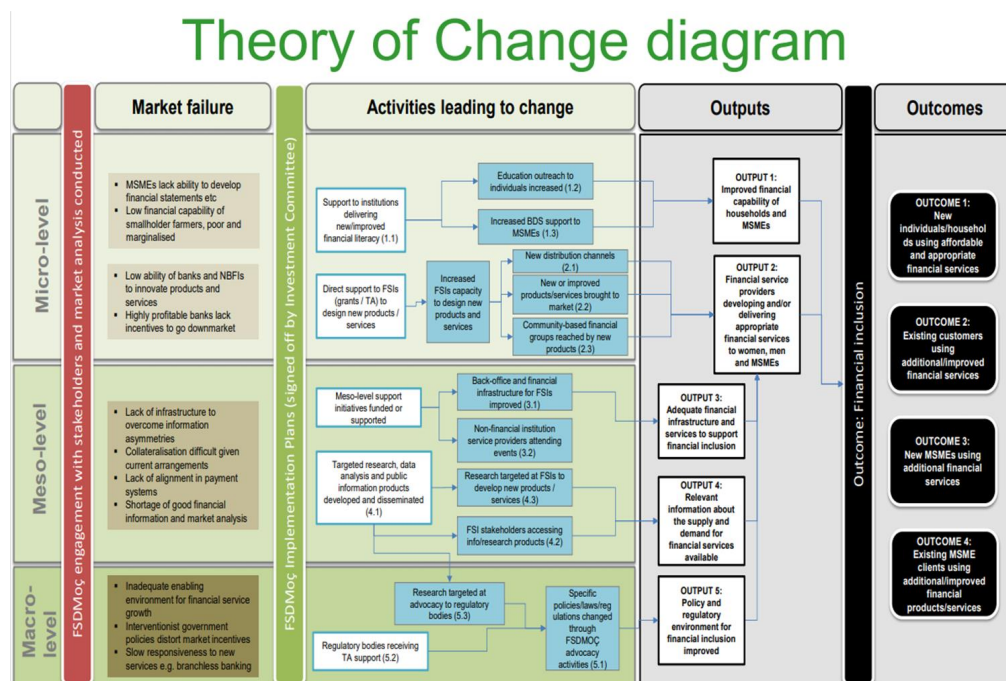
FSDMoç has positioned itself as a facilitator in the development of a higher level of inclusion within the entire ecosystem that surrounds the non-banking financial sector of Mozambique. In so doing it has set out to help bring about change in the vast

35 Galor, Oded, and Omer Moav. 2004. “From Physical to Human Capital Accumulation: Inequality in the Process of Development.” *Review of Economic Studies* 71 (4)

majority of third-party systems that allow the financial inclusion to become a reality. It also has set out to change the behaviors of individuals, firms and households in the financial domain. Its strategy is straightforward but to be successful it must work both the supply and demand sides of this use equation and ensure that the equilibrium point (where supply and demand meet at an appropriate level of use with high levels of effects) is securely defined by an appropriate policy, legal and regulatory framework that is transparent and stable. It is a massive task that, if not done by FSDMoç, will seriously affect the well-being of the target groups that FSDMoç has identified as its “beneficiary stakeholders”. The magnitude of the task can be appreciated by considering that FSDMoç aimed to increase access to and improve the quality of financial services for more than 2.5 million people, and around one thousand Micro, Small and Medium Enterprises (MSMEs) by March 2020, that is, in only half a decade, including start-up time.

The major components of the FSDMoç program, as spelled out in the Theory of Change found in the ToR, are very well aligned with the overall financial systems development logic spelled out by the WB and by the Financial Systems Deepening Africa organization, and a host of research and policy documents on the topic. The specific ToC for the program is illustrated in the diagram below. A larger version, for easier viewing, is included as Annex 9.

Figure 1: Theory of Change Diagram



Other documents containing information about the program logic show that the FSDMoç’s expected higher-level impact implied “financial inclusion” as further categorized by four distinct but related outcome statements (the latter shown above). The MTR notes that the expected impact is the “active use of responsibly provided

financial services by poor people and Micro, Small, Medium-Sized Enterprises (MSME) that meet their needs”. It is noted that the source of this statement has not been identified other than being referenced in the MTR. It is clear, however, that the MTR statement represents what its authors considered as a definition of “financial inclusion” so we can see that they can be considered as being essentially interchangeable.³⁶

The standard logic for Theory of Change analysis is that the logic should center around a results chain that encompasses what the proponent (in this case the FSDMoç) wishes to achieve as effects and the necessary results that need to be generated in order for that to happen. The FSDMoç’s ToC does that well. ToC experts also recognize that the familiar ToC diagram is not supposed to be able to show all the parts of the change logic. There should be an accompanying document that expands the highlights in the diagram but then goes much more in depth on outputs, intermediate outcomes, hypotheses and assumptions. It should also link the changes to the contexts and identify critical points where difficulties may arise or where external-to-FSDMoç stakeholders would need to provide inputs (such as policy changes). A recent communication from FSDMoç indicates that for each intervention it has intervention guides where it monitors the pathway of change and, in the operational guides it uses, it also has a Result Chain analysis which outlines the pathway to change for each of the interventions. The evaluation team was not made aware of these tools and processes until the report was prepared.

In addition, the diagram conveys the impression that what is being planned is essentially within the sphere of influence of the FSDMoç whereas most of its component parts require the active collaboration or leadership of third parties while the FSDMoç acts as a facilitator. As such, the ToC as stated is not so much a roadmap of change management as a work breakdown structure for an intervention. Notwithstanding the foregoing, the diagram does paint a concise picture of the key elements of the strategy FSDMoç is using (ex. three levels, multi-player, multi component). It has the benefit of being useful as a communication tool.

36 Although there are various definitions in the financial inclusion praxis, they are now trending to imply that “improved financial inclusion means going deeper (more people have access) and going wider (more products available), and not merely putting an infrastructure or frames in place. There is also a commonly-used list of inclusion characteristics that was prepared by Mark Schriener in 2002 that notes the following a) Depth : poverty level - getting lesser income people (poorer), b) breadth : number of clients, c) scope : variety of services, d) length : sustainability - the services / products / institution has to be sustainable to allow long term service/ products' availability, e) Costs : affordability of all costs for the poor (including transaction costs), and e) Worth to the client: respond clients' needs.

4 Evaluation Matrix Overview

Bearing in mind the revised evaluation criteria published by the OECD, this evaluation developed a set of evaluation questions (EQ) that take into account not only the statements of management concern for Sida that are found in the Terms of Reference, but also the standard questions found in the Sida guidelines and relevant project management documentation, and the proposed evaluation questions found in the ToR. The overall opinion of the evaluation team is that the priority questions in the ToR are compatible with and enhance and deepen the management concerns that an organization such as Sida should have at an end-line situation (i.e., the end of a cycle requiring an ex-ante assessment, and the possible beginning of new programming cycle). In that regard, this evaluation can be considered as a legitimate means of conducting a “Due Diligence” examination in the light of the potential for further investment by Sweden in this initiative.

The evaluation proposed a revised set of EQ’s in its Inception Report, based on the data gathering and document research that took place in that phase. The revision focused the EQ more on the higher-level outcomes which are directly related to the use of “improved” or “more appropriate financial services. The EQ also focus on “effects”. It should be noted that whenever results are the object of the Judgment Criteria or EQ, our focus was both on attribution and contribution.

The Evaluation Questions that are included in this evaluation are:

Evaluation Question 1: To what extent has the intervention corresponded to the priority needs of intended beneficiaries?

Evaluation Question 2: To what extent has the intervention achieved, or is likely to achieve, expected (or unexpected) high-level results and what are the strategic effects observed?

Evaluation Question 3: To what extent has the intervention delivered its expected results via a resource-effective manner?

Evaluation Question 4: Are the results achieved by the intervention (intended or not) likely to be sustainable if FSDMoç does not secure ongoing external funding?

Evaluation Question 5: To what extent has FSDMoç mainstreamed gender equality and empowerment, disability equality, the most vulnerable, and environment and climate change in its planning and execution of its relevant plans?

Question 6: Are there mechanisms in place to deal with the most important priority contextual and business environment changes required in Mozambique to enable the financial system to better serve the development-related needs of its population and financial institutions?

Annex 6 presents a complete Evaluation Matrix showing, for EQ, the judgment criteria, indicators, sources of information for each indicator and the main research tools applied for each indicator. As noted in the initial proposal and the Inception Report, the team has adjusted (I.e., clarified) and added (see EQ3) JCs as research was carried out.

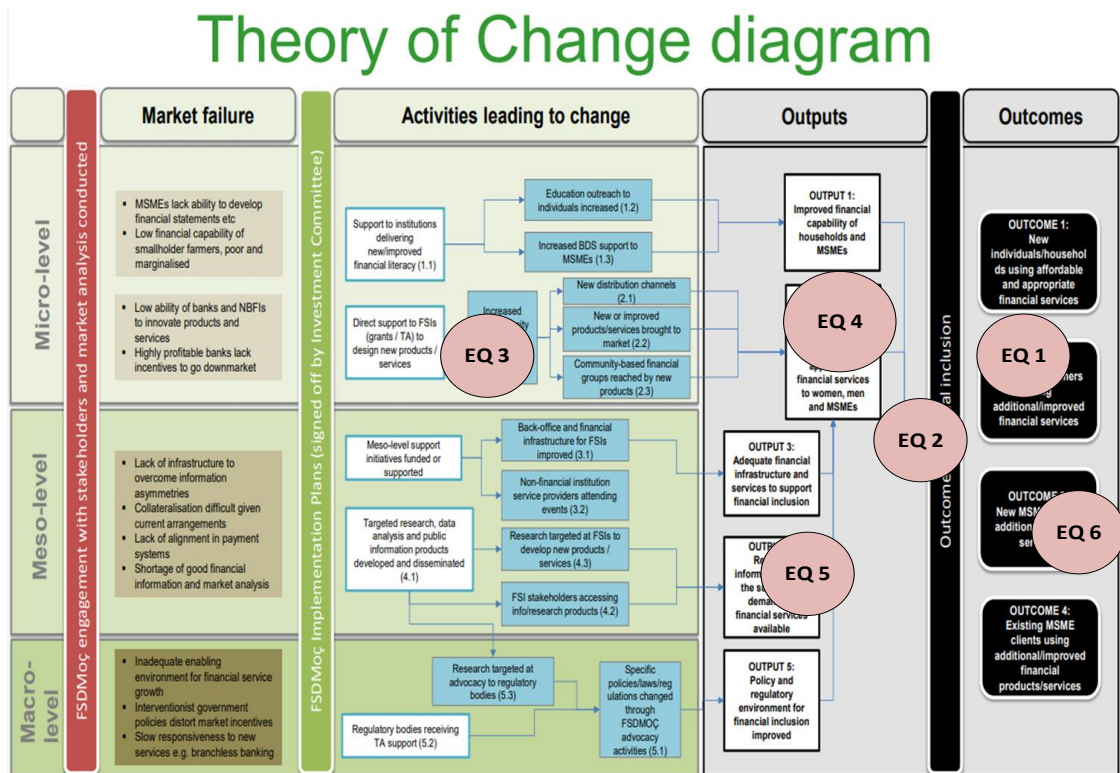
The final set of EQ clearly cover the Evaluation criteria noted in the ToR as well as the OECD Revised Criteria. This is shown in the table below, where “P” indicates that the Evaluation team will assess the EQ primarily on the basis of that paradigm, and “S” indicates that the EQ analysis will likely cover, to some extent, issues that arise in the indicated criteria. Since an EQ is supposed to be a line of enquiry (in this case representing a management concern which relates to a decision to continue support), it is clear that the questions can be approached from different perspectives (or criteria).

Table 4: Evaluation Criteria overview

EQ	Relevance	Coherence	Effectiveness	Efficiency	Sustainability	Impact
EQ 1	P	P				S
EQ 2			P			S
EQ 3			S	P		
EQ 4		S			P	
EQ 5	P		S			
EQ 6	P				P	

The choice of EQ was made on the basis of A) the need to cover all the Evaluation Criteria, because the client Sida has requested that approach; B) the logic of the ToC and its inherent results chain; C) the evaluation approach that focused its attention on higher-level effects (thus the tendency for EQ to be situated near the right hand of the FSDMoç’s ToC diagram. This logic is illustrated in the following diagram. It should be noted that the evaluation questions do not address causes of market failure and only tangentially cover the actions of FSDMoç (rather, the focus is on effects).

Figure 2: Theory of Change Diagram with EQ contribution



5 Findings and Answers to the Evaluation Questions

EQ1

Evaluation Question 1: To what extent has the intervention corresponded to the priority needs of intended beneficiaries?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Coherence

Answer to the EQ: From its inception, the FSDMoç program has had a very strong focus on building itself around evidence and in-depth political economy analyses, in order to, in the best possible way, correspond to the needs of the targeted beneficiaries. The body of knowledge produced during the period of implementation and the clear willingness of management to adapt to changing circumstances, are clear indications of the ongoing attention given to being, and then staying, relevant. The programs alignment with national strategies and collaborations with other actors are well documented and add to the coherence of the program with other players and their policies and strategies. The research shows that the FSDMoç program has filled a clear gap in the market and is clearly relevant.

This answer is based on the following:

Statement of JC 1.1 The intervention was aligned to key Government of Mozambique's strategies and plans for the development of the financial sector.

Assessment of the JC: The FSDMoç program is to a high degree aligned with national strategies for the development of the Mozambican financial sector.

FSDMoç aligns itself very well with several strategies approved by the GoM aimed at economic development, which include the “Government Five Year Program 2020-2024” that aims to promote inclusive growth, employment creation and increased agricultural productivity and the “Strategy for the Development of the Financial Sector 2013-2022” that aims to create a diversified and competitive financial sector. However, the main national strategy document of relevance for the FSDMoç program is the “*National Strategy for Financial Inclusion 2016-2022*”. FSDMoç is heavily involved in the activities relating to this strategy and is thus promoting the interests and strategies of the GoM. With respect to financial inclusion, the report “Case Study on Lessons Learned and Achievements of FSDMoç Program on DFS”, dated March 2020, provides a comprehensive and convincing outline of FSDMoç and its involvement and contribution to all three pillars of the financial inclusion strategy: (i) Access and use of financial services (ii) Strengthening of financial infrastructures (iii) Protection of the financial consumer and financial literacy. DFID annual reviews also confirm this alignment to the National Financial Inclusion Strategy. FSDMoç is a key partner for several GoM institutions and agencies directly responsible for implementing various parts of the national strategy, including the Central Bank

(BoM), BVM as well as with implementing agencies and donors supporting the execution of the NFIS (thus establishing coherence). It has collaborated on projects with both the BoM and the BVM and solidified and formalized this relationship with MoUs. FSDMoç projects are clearly implemented within the scope of the national strategies. FSDMoç^{37 38} plays an important role in providing evidence-based TA and capacity building of these institutions and filling knowledge gaps within the area of financial inclusion enabling³⁹ them to generate better quality strategies, plans and products for the market than they would have been able to generate on their own. FSDMoç projects have cut across a relatively wide range of domains that target both the formal and informal sectors with a focus on rural access to finance. This approach is, to a large extent, consistent with the NFIS strategy as well⁴⁰ as other national strategies that frame economic and social development (ex. poverty reduction strategies). A key document that triangulates this alignment is the “Reaching the Last Mile...” (2020) that shows how FSDMoç is contributing to the 17 SDGs, including those involving poverty, energy access and equitable economic growth.

Statement of JC 1.2: The FSDMoç’s constituencies (partners) agree that FSDMoç is a key driver for improved financial services and fill a gap in the market.

Assessment of the JC: Partners unanimously agree that FSDMoç plays an instrumental role in improving financial services and clearly fills a gap in the market.

Based on information gathering research and validation of findings it is quite clear that stakeholders in the financial sector and program partners find FSDMoç highly relevant and successful in advocating for and helping to generate improved financial services, in a context that historically had had a limited focus on financial inclusion and development of financial services. In this light FSDMoç fulfills a great need for the reduction of risk and the stimulation of innovation and investment in the financial sector by publishing research on the various aspects of the sector in the country, including the analysis of the key variables of both supply and demand, while also having the expertise to assist firms and agencies create solutions that are context specific and founded on evidence. Stakeholder/partner insights from the 2017 MTR and the FSDMoç strategic plan for 2020-2025 confirm by triangulation the important role that FSDMoç plays as a coordinating entity in the financial ecosystem while also being instrumental in pushing the financial inclusion agenda within government

37 http://FSDMoç.com/wp-content/uploads/2018/05/FSDMoç%20A7-and-BdM_PRESSRELEASE-ENG_Sandbox-Launch-17.05.18.pdf

38 <http://www.bvm.co.mz/index.php/en/publications-and-events/events-and-news/502-bvm-and-FSDMoç-cooperate-in-financial-inclusion-projects>

39 <http://FSDMoç.com/wp-content/uploads/2020/10/Case-Study-FSDMoç-lessons-learned-and-achievements-on-DFS.pdf>

40 See also: Mid-Term Review of Financial Sector Deepening Moçambique, ARORA Associates Limited, 2017

institutions. FSDMoç has very quickly become a key actor within the area of financial services, indicating that they fill a gap, fill a need for guidance and leadership and are highly relevant. The evaluation team has conducted sample interviews to validate the findings from the document review and has found that FSDMoç is seen as highly relevant for the work of the partners on financial inclusion both in terms of providing TA and capacity building and not least in relations to awareness raising and advocacy work.

Statement of JC 1.3 The interventions carried out by the program have been relevant for the beneficiaries

Assessment of the JC: The interventions carried out by FSDMoç are highly relevant for the beneficiaries and provide access to financial services, albeit usage remains an issue.

FSDMoç targets specific beneficiaries and stakeholders and its interventions at different levels are categorized into the types of outputs and outcomes that are expected at micro, meso and macro levels⁴¹. The main and ultimate beneficiaries, that are also the target of this EQ are the consumers of financial services in the underserved parts of the population^{42 43 44}. There is a wealth of literature that supports the potential positive development effects of financial inclusion in the Mozambican context and the relevance of the FSDMoç program is difficult to argue against, given the underdeveloped financial sector and the lack of actors within the area of financial inclusion in Mozambique. All documents examined by the evaluation (over 100) support this point. The FSDMoç program, its strategic plans and workplans are built on evidence from the market and the Mozambican context, both from the demand and supply side, while being built around the regulatory and policy system in the country. As such the program relies on solid evidence that qualifies the link between financial inclusion and poverty reduction. As argued in many documents and as supported by our research, interventions carried out by FSDMoç are relevant for the target beneficiaries, both when seen individually (i.e., the relevance of individual interventions) or collectively (i.e., the relevance of the composition and reach of the entire set of interventions). It is however important to note that FSDMoç aims at providing beneficiaries access to financial services, but this does not necessarily imply actual usage and effects of these services. This issue has been presented and discussed with FSDMoç who explained that given the current status of financial inclusion in the country, giving access should be seen as a first step that is necessary to take before effects of access materialize. The ET finds this to be a valid point as

41 See the Inception report – 5-year strategy from 10/2014 for more information on the levels of intervention.

42 With an emphasis on the rural poor.

43 E.g., <https://documents1.worldbank.org/curated/en/732551572441523589/Mozambique-National-Financial-Inclusion-Strategy-for-2016-2022-Mid-Term-Review.pdf>

44 E.g., The Challenges of Access to Financial Services in the Agricultural Sector in Mozambique, Mutondo, Villisa Etal. Ministry of Agriculture and Food Security, Dec 2019

one cannot use what one does not have. However, the international praxis, does indicate that access must be accompanied by incentives to use.^{45 46}

Statement of JC 1.4 FSDMoç has put mechanisms in place to review and update its strategies, implementation modality and assumptions in the light of evolving contexts and lessons learned.

Assessment of the JC: Based on a systematic approach to M&E and collection of market information, the FSDMoç program is to a high degree able to and has in fact adapted and updated implementation modalities and strategic approaches.

Since its inception, the FSDMoç program has had market analysis and research at its core. The FSDMoç program was designed based on extensive analysis and research in line with the Making Markets Work for the Poor (M4P) approach⁴⁷. Furthermore, also in line with the M4P approach, the program has taken an approach that is focused on evidence⁴⁸ and on-going market analyses when programming specific interventions^{49 50}. The program has a very comprehensive M&E handbook⁵¹ that, in addition to accountability, has a strong focus on adaptive programming that relies on on-going generation of information that enables management to make relevant and evidence-based adjustments to implementation modalities and approaches. The annual reviews produced pay specific and in-depth attention to issues surrounding Monitoring, Evaluation, Accountability and Learning (MEAL). In addition, the annual reviews provide a narrative on progress against recommendations and how far the program is in terms of implementing these recommendations. As a specific example, the entire FSDMoç team was involved in the response to the MTR from 2017 and incorporating recommendations which included revision of the program logic frame. As such, it is quite clear that the program has produced the necessary instruments for adaptive programming and has used these instruments actively.

Statement of JC 1.5 FSDMoç has ensured that its efforts are aligned with and thus “fit” well with those of other actors.

Assessment of the JC: FSDMoç has continuously visibly demonstrated its efforts towards alignment with other actors.

The program inception report from 2014 provides an overview of the multitude of initiatives aimed at financial sector development in Mozambique. The report points

45 Interview with FSDMoç 12/10/21

46 India is a relevant example

47 <https://www.enterprise-development.org/wp-content/uploads/m4pguide2015.pdf>

48 Among others the Finscope surveys. <http://FSDMoç.com/finscope/>

49 Mid-Term Review of Financial Sector Deepening Mozambique, ARORA Associates Limited, 2017

50 Financial Sector Deepening Mozambique, Final Appraisal, SIDA 2016.

51 FSDMoç, Monitoring and evaluation (M&E) handbook, 2015

out the challenge this represents regarding coordination and prevention of overlapping efforts and points to several efforts that need to be undertaken in order to mitigate this risk. As such the program has had alignment with other efforts as an important part of their approach from the inception of the program. The MTR from 2017 gives a clear description of FSDMoç and their work with towards harmonization with other major actors such as KfW, GIZ and the World Bank as well as the BoM and BVM. These efforts are further exemplified in annual reports⁵² that describe the continued efforts to collaborate and harmonize with other actors. Furthermore, the CoM has created Working Groups for the execution of the NFIS that cover a broad range of key financial functions, and the lead for those WGs rotate between members, including FSDMoç. The Central Bank also calls meetings of key stakeholders from time to time for information sharing and complementarity-seeking.

EQ2

Evaluation Question 2: To what extent has the intervention achieved, or is likely to achieve, expected (or unexpected) high-level results and what are the strategic effects observed?

KEY EVALUATION CRITERIA REPRESENTED: Impact and Effectiveness

Answer to the EQ: Starting from one of the lowest ranked countries regarding financial inclusion, FSDMoç has worked on the 3 target levels for economic and social changes, namely Macro, Meso, and Micro. It has implemented a wide range of interventions, from studies to enable systemic changes, to pilot operations to try innovative solutions, including a wide circulation of ideas, innovations, and knowledge, to promote a greater financial inclusion in Mozambique. It achieved a high level of expected results - more than 4 million new bank / mobile wallet clients, awareness raising and support to both the banking and the insurance sectors, implementation of new financial service delivery channels through mobile and agent banking, support to Fintech development and financial innovative institutions to test new approaches and develop new products, valuable researches regarding the financial environment and its limitations for financial inclusion, large and diversified support to financial education. It also contributed to create the bases for more financial inclusion by reinforcing some of the required infrastructures (geo-localization of points of services or financial institutions' clients, support to interoperability between banks and mobile operators); and it induced open-mindedness among legislators. FSDMoç also gained unexpected results – like the creation of a Fintech association. However, the inclusion that took place seems to be

⁵² Financial Sector Deepening Mozambique ANNUAL REPORT NO.1, June 2020- June 2021

still supporting a limited range of financial services – mainly access to deposits/cash security and payments/transfers and, to a minor degree, insurance (funeral insurance). Much more results are still to come, when financial inclusion main stakeholders – government institutions, legislators, major formal financial institutions – assume the challenge of financial inclusion and switch their conservative and bureaucratic working paradigm, without jeopardizing sustainability and consumer protection.

This answer is based on the following:

J.C 2.1 FSDMoç has achieved, or is expected to achieve, its expected results, including any differential results across target or stakeholder groups.

Overall, the multiples FSD interventions contributed to the achievement and even the passing of its expected outputs: “Additional 2 million people (of which 50% are women) with access to finance to at least one financial service (formal other vs. informal, men vs. women). Additional 650 MSME with access to at least one product or service”.

- Increased access to financial services, is mainly due to the deployment of MPesa, the Vodacom mobile wallet supported by FSDMoç, which alone reports 2,328,895 new M-Pesa accounts from April 2016 to March 2018 through the (FSDMoç supported) promoter model⁵³. Agent banking expansion, encouraged and supported by FSD (ABC, Letshego) is also said generating another 1,718,815 new clients.⁵⁴
- These numbers might not represent “inclusion of the excluded” but, at least for an undetermined proportion, diversification of service provider. It is well documented that included people tend to diversify their service providers, having more than one bank account^{55 56}. It does however contribute to ToC Outcome 2
- The access to financial services also doesn’t mean regular use of it. A good indicator would be the Number of transactions/month or per year (in rural areas the economy is very seasoned, and HH have very few commercial transactions outside the harvesting season).
- The big numbers above mentioned are all about opening a bank or mobile wallet accounts. We did not find information on loans granted by the above mentioned FSPs. Access to loans remains very low in rural Mozambique, except for the inputs

53 Case Study on Lessons Learned and Achievements of FSDMoç Program on DFS, 2020 : of 2,328,895 new M-Pesa accounts opened from April 2016 to March 2018, of which 1.200.000 new accounts directly due to the SDMoç support, and another 1.128.895 in using the model nationwide.

54 “2019-2020 Value for Money Assessment report - Reporting period: April 2019-March 2020”, FSDMoç, 2020.

55 That probably would not be the case in rural Mozambique with agent-banking new clients, but it could be the case in rural towns and provincial capitals.

56 According to FINSCOPE 2019, “about 38 per cent of adults in Mozambique have a transaction platform mainly through either Mobile Money and/or bank account. Of these, 82 per cent of adults are using both Mobile Money and bank accounts to manage their financial needs”.

and technical advises provided to contract-farmers by some agri-business companies. Mpesa is now offering a wallet loan product, in partnership with Bank ABC (ongoing discussion with other banks to broaden the partnership). This credit, of small amount and term, is targeting consumption more than productive activities.

- Financial education (F.E) also achieved impressive results – from basic, mass-oriented F.E (TV/Radio spots) as promoted by BoM, BVM and ISSM, to specific program beneficiaries. 1,751,781 (644,795 women) are reported⁵⁷ to have directly benefited from FSD Moç interventions (Paycode/INAS, SOCREMO, BankABC, Letshego) and to in-depth business management course beneficiaries (Banco Unico “PME Academy”), to increase HH financial management, promote savings and improve the “bankability” of SMEs.
- Digital service to support financial inclusion: Numerous other interventions, aiming at including low-income people, yielded interesting results, albeit on a more modest scale. Solar home kits (Solar Work!, Epsilon Solar), using PayGo system and actually providing loans to rural HH, is a good example. The actual outreach of these projects is limited by infrastructure issues- availability of telephone network and of mobile wallet agents (and adaptation requirement to add another operator to the payment platform) which expansion do not depend on FSDMoç support.
- The expansion of savings (and credit) groups (SGs) has also been supported, with mitigated results: the expected outputs (geo-localization, digital training and bookkeeping) were achieved, but the use of these is still limited⁵⁸, despite the huge potential: more than 15.000 SGs already exist in Mozambique, meaning between 225.000 to 500.000 informally included mostly rural people.
- Other limitations to the deployment of new products and deeper financial inclusion, are related to the financial legal framework: KYC, the minimum legal age to open a bank account⁵⁹, collateral and “due diligence” requirement for lending to SMEs. The insurance legislation is also restrictive in its “Micro-insurance” regulation. The current paper-based policies requirement prohibits the digital insurance expansion⁶⁰.
 - Infrastructures gaps (roads, telephone networks), low rural density and poor cash management capacity of the mobile and banking agents⁶¹ also prevent

⁵⁷ Value for Money Assessment, FSDMoç, 2020

⁵⁸ SOMA faced technological issues (use and maintenance of tablets and smart phone, access to internet) and was wiped out by a major political crisis (war and population displacement in Cabo Delgado); E-Registo is lacking of an app-maintenance and database hosting and management service provider; access to internet is also a challenge. Data property and use is an unresolved issue.

⁵⁹ The legal majority is 21 years and this is the minimum age to open a bank account (while the minimum voting age is 18), although most banks offer a “youth account” – from 14 or 16 to 20 years youth- operated by legal representant. Some banks also offer “saving plans” (receiving only deposit) open with no age minimum.

⁶⁰ Interesting experiments are currently taking place, with FSDMoç and other donors support, like Holland’s clients geo-localization process for weather index agriculture insurance.

⁶¹ To properly serve their clients, agents need to have “float” to receive deposits, and cash for withdrawal operations.

increased outreach for banks and mobile wallets operators. These factors are beyond FSDMoç reach.

- The Fintech's case is another example of a still limited outreach: despite the mind-opening at Bank of Mozambique obtained through the sandbox experiment, leading to the inclusion of this new "business" in the legislation, none of the Fintech is actually licensed under the new legislation due to Bank of Mozambique bureaucracy. The work developed by FSDMoç together with legislators and stakeholders to alleviate these constraints will probably provide a larger inclusion in the future, but short-term results are limited by partner's ability to react and engage in the innovative processes.
- On the other hand, there is evidence that the program has engaged with new stakeholders that gained awareness and experience (JFS). Others, already involved in financial inclusion activities, took advantage of the offered support (Hollard, solar businesses, NGOs). As interested parties, these stakeholders maintained and expanded the services even after (or without) FSDMoç support.

Statement of JC 2.2. The Program Theory of Change depicts a comprehensive and adequate conjunction of results-chain logic, hypotheses and assumptions that will likely result in the outcomes stated.

Assessment of the JC: The achievements to date by FSDMoç show that the Program Theory of Change depicts a comprehensive and adequate conjunction of results-chain logic, hypotheses and assumptions that will likely result in the outcomes stated.

However, the results vary to a large degree according to the partnering institutions, public institutions, financial services providers, private companies or NGOs with their own business objectives.

- One of the crucial limitations for financial inclusion was the banking and the insurance related legislation. FSDMoç supported the revision of both legislation:
 - Regarding the banking legislation: Introduction of the Fintech as financial societies (Law 99/2019, aviso 3/2020 fixing minimum capital), up-dating of the whole banking legislation (Law 20/2020 substituting the law 15/99⁶² and 9/2004). More work is still to be done to promote more financial inclusion – i.e. simplify the KYC requirement, lower the minimum age to open a bank account, lighter requirements for agents (agent banking) because agents have to have a formal business; it is possible to find in district capital, often not in the "villages".
 - Some of these still needed changes are out-of-the reach of FSDMoç action, like adaptation of the international banking regulations to the local context (lighter KYC criteria).

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- The insurance law's revision is also in progress, with FSDMoç and stakeholders being consulted; so is the BVM legislation (already under revision 1,5 year ago⁶³); however, both undertaken revisions have still not yield concrete results.

Statement of JC 2.3 The MEL system used in the intervention delivered robust and useful information that was used to assess progress towards outcomes, make operational management adjustments and contribute to learning?

Assessment of the JC. The MEL system used in the intervention delivered robust and useful information that was used to assess progress towards outcomes and contribute to learning.

- FSDMoç has been extensively producing studies and interventions' evaluation material (case studies), showing a real interest to follow-up and assess progress towards outcomes, and also to learn lessons from its supported interventions.
- FSDMoç also produced MEL material, like the "One Pagers" that provide insights on the objectives, targets and obtained outcomes of some interventions. However, "one pager" are not systematically produced, nor are they updated. Some OPs do not clearly mention the expected outputs (i.e.: Geographic Information Systems for Inclusive Agricultural Insurance - Phase I, no definition of expected / obtained outputs).
- FSDMoç has a comprehensive M&E manual⁶⁴ which details the objectives of the M&E: "The results indicators that FSDMoç will collect and report to DFID derived from the theory of change and will measure whether it is both valid and successful" It also details "how and what will be: (1) monitored for FSDMoç interventions and the program as a whole to determine whether the program is on track to achieving its intended results; and (2) measured to estimate the value for money (VfM) and sustainability of program interventions" (op. cit).
- The steps and responsibilities to ensure an adequate set of indicators for appropriate M&E are clearly defined. The M&E team (1 manager and 1 assistant) is dedicated to M&E tasks, in close collaboration with the full FSDMoç team, as explained in the handbook and represented in the graphical representation of the system.⁶⁵
- At the very start of each intervention (after IC approved the concept note), a "results- chains" ⁶⁶ should be prepared, showing intervention's objectives and causal logic and objectives. An "indicator plan" should be prepared and agreed on with the partner to ensure the monitoring of the referred indicators. (It is stated elsewhere in this report that the evaluation team did not have access to the individual interventions' designs, results-chain, indicators (planned and effectively provided by the partners for use in the intervention).

⁶³ Interview March 2020, in the context of Alternative finance for SME study case

⁶⁴ Monitoring and evaluation (M&E) Handbook, Nathan Associates, 2015.

⁶⁵ M&E Process Mapping.pptx and Final -ME_TT engagement plan (Rev by AM 04 07 16).ppt

⁶⁶ Handbook, chapter 3.1, Pag 9

- As some of FSDMoç's interventions take longer to produce results - both at outcome and impact levels - than the project life, it is difficult to appreciate to what extent the lessons learnt have induced adaptations or changes in FSDMoç mainstream. However, one can appreciate that after a strong initial investment in trying to facilitate access to finance for SMEs, without reaching the expected results, FSDMoç has focused on geographical expansion and bank and mobile wallet accounts opening. FSDMoç also emphasized investment that would promote and facilitate digital finance services (BoM sandbox, E-ticketing, PayGo systems, etc.).
- In some cases, the same global intervention requires different inputs and different "phases" (identification and feasibility studies, implementation, evaluation and lesson learnt, external technical assistance...) to reach completion. Each of the activity/phase is considered as an intervention, which make it difficult to get a global idea of the amount, of resources dedicated to which outcome.

Statement of JC 2.4. The risks of aversion to change and innovation were correctly evaluated, given the Mozambican financial system characteristics.

Assessment of the JC: The risks of aversion to change and innovation were under-estimated, given the Mozambican financial system characteristics.

- If great outputs and outcomes have been obtained through the use of Digital finance, the aversion to change of the major banks might have been under-estimated. So was the aversion to changes, or better say the slowness in changing legislations. Finally, governmental institutions (BoM, ISSM, BVM, ICTM/ ARECOM) are facing a heavy bureaucracy that hampers fast outcomes.
- FSDMoç produced studies to encourage alternative finances for SMEs, analyzing the capital market and the lending environment, identifying potential bankable enterprises, building business cases⁶⁷ and widely circulating the results of the studies, but none actually led the identified businesses to get loans or investors' capital.
- Despite studies made and largely circulated, the development and adoption of new products, especially regarding loans and equity, is still very limited at banks levels.
- The banking sector is still very reluctant to lend to rural /out of major towns SMEs. 25 enterprises got a bank loan with the FSD supported Britam's Trade Credit Insurance, a new insurance product aiming at facilitating loan access for SMEs. 19 of the loans were obtained under an agreement with one bank only, with an average amount above half a million USD each – these clients are probably not in need for

⁶⁷ Analysis of Credit Lines and Guarantee Facilities, 2015; Capital Markets Overview - Analysis of the Mozambican Financial Markets, 2015; Developing a Supply Chain Finance Model for Tongasse 2018; SME Private Equity Review - Investment opportunities in Mozambique in Tourism, Agribusiness, Manufacturing and Renewable energy sectors, Delloite, 2016-2017-2018-2019; SME Finance and Market Development, BIG Bank, 2018; Delloite, Private equity and venture capital regulatory framework, Imbondeiro, 2017, among others

inclusion, nor would it be difficult for them to get a loan anyway. Previous studies⁶⁸ showed that even with the support of guarantee funds, the major banks are very cautious in providing loan to rural SMEs.

- Despite the investment made with Banco Unico in providing a high-level business management course to 25 SME managers, only 6 of them received a loan.

The BVM efforts did also not result in banks providing capital to SMEs. Studies commissioned by FSDMoç and other institutions at international level show that the capital market in Africa is very limited. Current Mozambican legislation prohibiting currency export does not encourage small-medium size foreign investors.

EQ3

Evaluation Question 3: To what extent has the intervention delivered its expected results via a resource-effective manner?

KEY EVALUATION CRITERIA REPRESENTED: Efficiency

Answer to the EQ: The evidence shows that the FSDMoç has been able to deliver the results (outputs and intermediate outcomes) that were expected (i.e., in the log frames). The resources to which it had access were strategically allocated in a manner that reflects the change management strategy inherent in its Theory of Change, and its management was done in a manner that clearly provided Value-for-Money. In particular, detailed analyses have shown that it should receive a rating of “excellent” for the way it manages its resources (economy) and the extent to which it produces results in a cost-effective manner. Grant-based interventions and other actions were delivered on time and were of a high level of quality. In a relatively short time, it has succeeded in participating in core networks of other players in the financial inclusion domain and enjoys a high level of collaboration with key national and international stakeholders such as the Central Bank and the Bolsa de Valores, acting as a technical and policy advisor, confident and partner in the implementation of the NFIS. It has a recognized history of effective coordination with other players in the domain.

This answer is based on the following:

Statement of JC 3.1: The financial, knowledge and human resources available to the FSDMoç were applied strategically and based on evidence to the priority thrusts indicated in the ToC; the program thus demonstrated value for money.

Assessment of the JC: All of the assets available to the FSDMoç were used strategically and allocated on an evidence basis. Overall, the FSDMoç registered

⁶⁸ World Bank. 2012. Agribusiness Indicators: Mozambique. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/26563> License: CC BY 3.0 IGO. FSDMoç, 2015 Analysis of Credit Lines and Guarantee Facilities

good value for money overall, with “excellent” ratings for economy, while efficiency, cost effectiveness and equity rated “good”.

Appraisal documents for the FSDMoç program show that it recognized the limited knowledge and exposure to financial services within the Country and therefore adopted a strategy to support interventions that aimed to increase the supply of financial services to the poor with activities on the demand side, including financial literacy and technical assistance to increase the capacity of households and MSMEs to effectively engage with financial service providers. The ToC and the various work plans over the years triangulate this strategy. These plans were approved by the oversight functions in place (including donors and executing agencies) and various audit and monitoring reports since then have found that resources utilised within the scope of the project complied with approvals, agreements and good governance protocols. A 2020 value for money assessment done for FCDO thoroughly analyzed the value for money management results of the organization and found that the research used by the assessors yielded assessments of good to excellent. That VfM analysis notes that under “economy”, “...the program managed resources economically”; under “efficiency” it notes “the interventions ranged from adequate, to good to excellent”. Moreover, that study identified many projects that had high potential for significant impact generation and high returns while identifying that most delays were caused by unforeseen circumstances out of the control of the FSDMoç per se.

The knowledge holdings of FSDMoç are freely available and have been the object of many varied and purposeful efforts to increase awareness and increase the capacity of organizations and people in Mozambique who are involved in financial inclusion in one way or another. The selection of research topics to explore and publish is strategic and designed to provide evidence for decision-making and close (partially at least) the capability gaps already identified. Finally, the Market Development Fund is managed with appropriate due diligence and resources required both internally for management as well as externally for results to be thoroughly analyzed before being approved by the Investment Committee or the CEO depending on the amounts involved.

Statement of JC 3.2: The expected results were delivered in a timely manner with due recognition of the LOE required to produce the results.

Assessment of the JC: The FSDMoç demonstrated that it delivers products (of all types) on time, within established budget and of good quality. The type and quantity of internal resources required are analyzed and approved internally. As are the requirements for external resources. Matching of investments is done on that basis.

Results and progress reports indicate that in principle the majority of FSDMoç partnerships/interventions have a matching component from the partners (which can be in kind or monetary). The grants manager monitors this closely, at a minimum on a quarterly basis for progress against planned results and respect for work plans. Reports also show that delays are largely due to regulatory or administrative (public) constraints or unforeseen conditions such as COVID-19 or supplier delivery issues that were not under the control of FSDMoç, and not by weaknesses within FSDMoç

per se. Importantly, the VfM report notes that: "...it delivered the majority of its work as planned...and on time."

It should be recognized that The MDF manual (FSDMoç Funds Manual - Resubmission Draft 22 October 2014_FINAL) has 11 pages on the process for awarding a grant so a thorough preparation is done. And for many of the projects, there is no competition, only one actor in place.

Analysis indicates that the investments in innovation products follow a typical phasing that would be expected of market-based financial innovations. Delays are not uncommon in that domain, as impediments are not easy to predict. No matter what type of intervention undertaken by FSDMoç, the internal and external resources required for the results to be generated are identified by type and amount. The budget planning system is adjusted to reflect the commitments being made by FSDMoç.

Statement of JC 3.3: Mechanisms are in place and working to avoid duplication with other financial deepening efforts that FSDMoç did not undertake.

Assessment of the JC: Documentation analyzing "duplication avoidance" was not found. But the available evidence shows that FSDMoç not only participated in many diverse networks designed to promote complementarity and collaboration. Evidence also shows that FSDMoç (among others) found it difficult to identify and work with partners at the beginning because financial inclusion was not their priority, in part because they were not in tune with the need, the concept or the approaches that BoM and FSDMoç, among others, were promoting.

The evaluation did not identify any document that specifically spoke to the issue of "duplication avoidance". What it did find are many documents that point to the difficulty of establishing networks of people and institutions that understand the complexity of implementing financial inclusion and commit to working in harmony with others to bring it about. Since the beginning, it appears that FSDMoç has faced the challenge of developing, with potential public and private sector partners, a common understanding of the economic and social constructs of that underpin FSD objectives and ways of working. Analysis shows, however, that FSDMoç has been highly successful in developing that alignment, even if there is evidence to indicate that donor coordination beyond FCDO and Sida was inconsistent. However, based on the evaluation's assessment of the performance of the FSDMoç and the rigorous performance frameworks it has had to work under, it is clear that the pressure to identify and assemble partnerships and show results has been consistent and high. This challenge was all the more humbling in an environment such as that found in Mozambique, where potential partners (especially larger banks) were clearly not interested in working with small clients (ex. households and SMSE) or in rural settings; they were not familiar with the M4P approach or the rigorous reporting requirements sought by approaches that were used by the BoM, FSDMoç and others. The MTR, for example, noted that "people joining FSDs are very rarely 'plug and play' (CEOs included). They take time to learn their trade and become fully productive – a truism for almost any business. One way to deal with this context is to build short-term/ limited focus partnerships initially to test and learn rather than immediate agreement on substantive long-term partnerships". That has been the

approach used by FSDMoç; in fact, that approach is similar to the PDIA approach used by many donors in development cooperation. It also resembles the concept of the “incubator” or “sandbox” put into play in Mozambique.

Statement of JC 3.4: Mechanisms are in place and working to coordinate efforts with other stakeholders so that efficiency gains can be realized.

Assessment of the JC: FSDMoç has developed effective and sustainable partnerships with many national and international players so that it a) cooperates with key organizations to implement the NFIS and b) it can leverage its own comparative advantage while improving its competency to deliver high quality support in the financial inclusion sector.

This JC is examined from two perspectives: strategically and on an intervention-by-intervention basis. Strategically the FSDMoç has formal and informal ties with the Central Bank, key cooperation donors and IFI, and with other key players. It participates in working groups under the NFIS and attends a variety of sector content and planning meetings in order to help the NFIS objectives become reality. As such, it discusses its role and commits to actions in a collaborative manner while seeking complementarities and leverages. This approach to efficiency is somewhat formalised in FSDMoç practice and can be found in operating policies and guidelines. For example, the DFID annual report for 2019 noted that when going into a partnership or a collaborative arrangement, “FSDMoç strives to incorporate diverse partners that work in different sectors and areas. This poses an opportunity for collaboration and knowledge sharing between these different partners”. Various documents point out that nationally, FSDMoç works with partners that hold different expertise that may be lacking internally. For example, national partners have included the IT expert UX for the Savings Group interventions and the interactive financial education expert Kamaleon. There are many examples of international actors that are used strategically by FSDMoç in order to be as effective (in terms of content) and efficient (in terms of resource use internally).

Statement of JC 3.5: The FSDMoç is managed on a results chain (Results-based management) basis

Assessment of the JC: The documentation analysis and interviews that were part of the evaluation do not support the hypothesis that the FSDMoç is an integrated RBM-focused organisation. Instead, it is more of a hybrid, where grantees are obliged to identify the results, they expect to generate as a consequence of the innovations or enabling conditions they want to develop, and are monitored on that, even if they are not paid on that basis. Internal management systems including accounting, are not necessarily based on RBM.

Although the FSDMoç monitors the results it is generating and compares those to the results that were expected, and while the log frames are rather detailed in terms of targets and achievements against those targets, the evaluation found that the FSDMoç was only loosely managed according to RBM principles and their corresponding praxis. It is noted that the grants are all based on expected results, but invoices are not

necessarily based on results (often by inputs). The staff of FSDMoç are assigned interventions to manage but the internal systems are not based on the use of these important resources in an RBM manner. Financial and accounting systems are not consistently defined by result, but by resource types or budget lines common in accounting systems (ex. travel, etc.). It is not possible to see what a particular result cost, largely because the management reporting (in contrast to the operations or market reporting) of the FSDMoç is largely by activity.

Some documents refer to two tools which FSDMoç uses to configure the information required for its Results Management Systems. The first is an Intervention Results Summary (“One Pager”) which is created for each intervention. The second is the Results Summary containing detailed financial information for the IC to consider. The evaluation identified that these documents exist too late in the mandate to obtain and then analyze them. We are unable to assess their effects on FSDMoç’s performance.

That being said, RBM is primarily an aid to management accountability. There are other systems, and the critical logic is that the managers and oversight bodies must be comfortable in ensuring that their resource allocation is generating expected performance. We have not been able, because of the time constraints in the mandate execution and the distancing and persona contact restrictions COVID-19, to undertake a deep analysis of the RBM issue. The myriad of documents we analyzed did not cover RBM issues either.

Statement of JC 3.6: FSDMoç has supported actions that have a high probability of meeting fundamental objectives of the Country and of FSDMoç that involve system changes.

Assessment of the JC: The indicators used to analyze this JC all point to the finding that there is a high probability that the interventions and actions of the FSDMoç will bring about significant systems changes that will support national objectives (ex., not only in the NFIS but SDGs and poverty objectives)

Overall, the strategy adopted by FSDMoç, as noted above, was to work simultaneously from the top-down and the bottom-up. This JC focuses on the former. Documents and follow-up validation interviews clearly show that FSDMoç contributed to bringing about changes in laws, regulations, standards, policy and “government” processes. These were the result of partnerships and technical collaboration with national entities including regulators (BdM, INTIC, ISSM); quasi-regulators (CTA, Fintech MZ, AMT), and policymakers (ex. MEF). Additionally, financial support was channel to CTA to address regulatory reform.

Through the support of FSDMoç innovative public-private models were created that have purportedly significantly changed the systems of public transport management and those of Government subsidies (G2B). FSDMoç also contributed to improving the enabling environment (including effective policy, regulation and incentives and regulatory environments. For example, agent banking regulations were modified (Aviso N°. 10/GBM/2020 of 17th December 2020), where the revised INCM regulation included recommendations concerning agent banking and non-banking

sub-sectors in Mozambique. These were extracted from a study on the topic financed and published by FSDMoç. Also, the Law of Credit Institutions and financial societies (ICSF 20/2020) was amended using FSDMoç contributions including studies and concept papers.

FSDMoç contributed to the development of various financial solutions such as an E-ticketing and microinsurance products reaching underserved segments using digital technology as channels.

While not specifically identified in the NFIS, each of these intervention examples are part of the plans outlined in that strategy and represent systems change. Compared to other bilateral cooperation interventions, the number and nature of these systems changes and the effects they will have downstream are unusually significant for an organization that has only been seriously financially supported since 2014.

One document we examined made the point that FSDMoç “will develop a results chain for each intervention”, but these were not provided to the team, perhaps largely because they were included in the performance documents on interventions that we received. Has time permitted, this would be a useful avenue to pursue, but it relates to an internal process and is not, in our estimation, a defining vector for FSDMoç’s performance overall.

Finally, the evaluation team took the position that it is not any single intervention that should be analyzed for performance and outcome “generation” but the performance of the entire portfolio. The grants, however, are not all provided as a result of a purposeful search by FSDMoç for financial inclusion elements that need to be put into place. There are, in fact, FSDMoç manuals speak of two types of grants: partnership and competitive. For the former, FSDMoç identifies the partner and there is no competitive process. Competitive grants are provided as a result of an open competitive process where the FSDMoç selects relevant proposals. The time available did not enable the evaluation to see what difference either type of grant made on the performance of the FSDMoç in advancing its agenda. In fact, a communication from FSDMoç has indicated that all grants provided by FSDMoç were partnership grants. Competitive processes were used only for studies and hiring consulting services.

Statement of JC 3.7: Analysis of risks shows that FSDMoç only accepts to undertake interventions where risks are controlled.

Assessment of the JC: Risk management is mainstreamed in the FSDMoç.

All interventions funded or executed by FSDMoç and its partners are subject to a thorough risk analysis using a rigorous analysis frame. Part of that analysis includes not only an indication of the level of risk, but the likely occurrence of that risk event and the consequence of that event. An indication of whether or not to reduce that risk is also included in approval and management documents. Occasionally, funding is provided to reduce the risks.

Even the best risk analyses cannot eliminate the risk itself, and there are examples where the FSDMoç and their partners accomplished what they were supposed to do but no product was delivered (in the sense of operating or used). For instance, in spite of all the efforts, no fintech is licensed so far, it depends on the Bank of Mozambique (heavy bureaucracy); while not licensed, Fintech cannot operate / fully develop (they are tolerated, not authorized...). another example is where open-banking discussions were well advanced but ended when one of the mobile wallet operators wanted the other operators to accept opening new accounts on their platform for each-others). Note: both are considered as "achievements" in the MTR - Inception report p. 13

Other examples of risk not being overcome concerns the "sandbox". The sandbox aims at allowing non-legislated businesses to operate, under the close supervision of BoM so BoM can appreciate their activities and propose specific legislations. The "entry" to the sand box depends on BoM selection, after a call of applications. Each "round" is around 9 months. The first cohort was entirely not-legislated enterprises, the second cohort had both un-legislated and already legislated enterprises, so the question that needs to be asked is "Is the BoM considering the "sandbox trial" as a step in the licensing process even if that is not the original purpose of a sandbox?"⁶⁹

EQ4

Evaluation Question 4: Are the results achieved by the FSDMoç through its various interventions (intended or not) likely to be sustainable if FSDMoç does not secure ongoing external funding?

KEY EVALUATION CRITERIA REPRESENTED: Sustainability

Answer to the EQ: There is no doubt that the FSDMoç has been successful in helping to bring about changes in frameworks and policies in the financial domain; these are sustainable. Most of its interventions can clearly be described as sustainable since the private sector partners that requested them have implemented them (there are exceptions, which is to be foreseen). It has also provided a wealth of knowledge-based products and knowledge-transfer events that have been well received and which have been used for further decision-making. At the micro level, the rate of usage of financial applications has been slow to increase, but more and more people have access; the experience of other countries shows that those results will increase in nature and number and the combined effects of the set of services will be sustainable. The research undertaken by this evaluation has also brought to the fore the important

⁶⁹ The FSDMoç has reservations concerning this finding. The evaluation believes that there is uncertainty as to the way the Bom sees its response at the end of a trial. The evaluation team was unable to obtain a meeting with the BoM to validate tis understanding. The reader is asked to confirm the finding if required.

challenges facing the implementation of financial inclusion at the macro, meso and micro levels.

Statement of JC 4.1 The net benefits of the intervention are known and can be qualified or quantified.

Assessment of the JC. The benefits related to FSDMoç intervention are well known by its stakeholders and partners and they are perceived to be very useful and helpful in the discussions of financial inclusion in Mozambique. FSDMoç is recognized as an active player that is able to interact with government entities and, in particular with the BoM to bring a new perspective on the fintech companies' role in the development and provision of innovative digital platforms/solutions to expand the use of financial services as well as to bring to the table, market and private sector financial inclusion related concerns.

Actions taken by FSDMoç that are going to be sustainable over time include over 60 initiatives⁷⁰ (Refer to Annex 9) where FSDMoç provided various types of support such as AT and participation in several events. For example, At Macro level, contributing to the adjustment of the legal and normative framework, partnering with policy maker and regulators⁷¹ have resulted in changes that will not likely be reversed. For example, the following were sustainable products: a new regulation for agent banking (Aviso No. 10/GBM/2020 of 17th December 2020) which included some recommendations based on the Agent banking and non-banking in Mozambique study facilitated by FSDMoç; a set of draft regulations on simplified bank accounts and draft amendments to reduce the legal minimum age to open accounts from 21 to 16 years old⁷² prepared by BoM; and the amendment of the Law of Credit Institutions and financial societies (ICSF 20/2020). Under a proposed

70 The team compiled a list of interventions based on accessed information from different sources. However, the team is not certain that the identified interventions (See Annex 8) are complete and accurate. For example, there were 29 “One Page” documents received referring to FSDMoç interventions that have been identified but not all implemented, apparently due to financial restrictions following the FCDO exit.

71 The Ministry of Economy and Finance (MEF) as a policy maker, regulators such as the Bank of Mozambique (BoM), Mozambican Communications Regulatory Authority (INCM), National Institute of Information and Communication Technologies (INTIC), Insurance Supervision Institute of Mozambique (ISSM) financial education and actors like the Confederation of Economic Associations of Mozambique (CTA), Mozambique Fintech Association and the Metropolitan Transport Agency (AMT).

72 The adjustment of the legal age of a person to open a bank account action is led by the BoM with support of GIZ, as part of the National Financial Inclusion Strategy, under Pillar 1 “Access to and Use of Financial Services. At the level of the BM, the proposed Law on the Legal Regime of Basic Accounts was approved and submitted to the Council of Ministers. It proposes specific regulations on opening and handling bank accounts, including reducing the minimum age, and promoting the basic bank account. Banco de Moçambique, Relatório de Inclusão Financeira 2020, Maio 2021: 14

Sovereign Wealth Fund, FSDMoç also facilitated the aggregation of private sector inputs for the BoM.⁷³

FSDMoç did not directly develop policies or strategies, it did, however, act both as a facilitator for pertinent subjects for discussions and as a bridge between private sector entities and the BoM and MEF to aggregate issues of concern as contribution for the development of adjustment of the legal and normative framework. FSDMoç also performed a relevant role in the implementation of the National Financial Inclusion Strategy by commissioning interventions, studies and actively participating in events to promote financial inclusion with particular focus on targeting women. FSDMoç also contributed to institutional capacity building of the capital market regulator, BVM, and supported training to regulators, policy makers and academics to introduce the subject of capital markets. Most of these interventions produced results that are sustainable (ex. BVM, NFIS).

At Meso level, in terms of bringing about sustainable change to financial system infrastructure, FSDMoç was a content partner in the interventions related to inclusive rural agricultural insurance using GIS technology; it contributed to innovations in digital market place platforms: it helped to bring into play an electronic-ticketing system on public bus transportation⁷⁴; it provided technical and financial support to the development of a micro-insurance channel for low-income segments and digital payment platform. TA was also provided to support the development of a comprehensive and accepted Interoperability model in Mozambique, engaging financial sector players as well as the Bank Association and The Central Bank. FSDMoç participated in saving groups interventions facilitated by organizations like Ophavela, CARE, services using PAYGO models using M-Pesa, like the solar energy systems from Epsilon Energia Solar and Solar Works, promotion of microinsurance services, especially for services like funeral insurances and financial literacy. There was also support to Vodafone M-Pesa, SA to increase the outreach in terms of products education, facilitation and doubling of their agent and their geographical distribution. It has put into place MoUs signed with banks in order to facilitate the establishment and expansion of agent banking.

All the above actions are expected to generate behavioral change and other effects at the Micro level for vulnerable people, including women, youth, MSME and smallholder farmers. The nature and sustainability of the changes that could be generate there are not clear since the change process has barely begun. However, experience in other countries in Africa and elsewhere (ex. Kenya) show that where services are offered and access provided, financial inclusion happens and continues to deepen.

73 FSDMoç Annual Report Nr 1, reporting period: June 2020-2021: 1-3

74 AMT started using its first Famba digital cards in February 2021 in <http://www.amt.gov.mz> consulted on 7th of November 2021

Verified changes noted in numerous documents include more openness in the discussion of financial inclusion objectives and needs and training at all levels, although specific target related impact analyses are not clear, except the perception of the implementing stakeholders. Challenges related to interoperability of systems have been surpassed between bank institutions and mobile operators and agreements supported by FSDMoç have been put in place, though there is still a lot that has to be done. Microinsurance mechanisms have also been put in place for small-scale farming with GIS systems have begun to change the way some farmers manage their affairs. And there are no reasons to doubt that this will be sustainable.

There are still important challenges and constraints to sustainability. Communication infrastructure is still deficient in certain geographical areas and constrains the profitability of innovative services and the payback period for service providers. New providers are often therefore hesitant to invest. There has been an expansion of the number of people using mobile services, essentially for remittances and payment of services, however, the use of these services depends on the ownership or access (at least) of a mobile phone. This is a challenge in rural and urban areas due to the cost. Challenges in the use of mobile money have been exacerbated by the impact of Covid-19, with the economy retraction and liquidity deficiency from the agents in the rural areas allied to the very low percentage of benefits received by the agents in each transaction which is not attractive for them. The way out for inclusion is to increase access and use, but if that happens research shows that financial inclusion is not only sustainable but will help reduce vulnerability and poverty in a sustainable way.

Statement of JC 4.2: The FSDMoç's results are likely to exist without further Swedish financial support in the mid to long term.

Assessment of the JC. In terms of sustainability, despite the efforts that are being taken by FSDMoç to engage different partners in a broad number of interventions towards their expansion to the rural areas, this issue will still be hindered by the absence of basic infrastructure like roads and electricity⁷⁵ which are one of the key triggers for the expansion of economic activities that would justify additional investments toward the expansion of communication services.

It is important to highlight that the poor coverage of existing mobile infrastructure is a great constraint to the expansion of mobile financial services. This should not be considered as a problem that is solvable by FSDMoç; it is rather the responsibility of the Institute of Transport and Communications (the government). The case of M-Pesa or any other mobile phone company is the same. The possibility of having the government providing incentives or even substantial subsidies to the expansion of mobile services is crucial. This can then be followed or implemented simultaneously with financial education (which is already happening in some areas) and other services that may attract the final consumers.

⁷⁵ Mozambique Financial Inclusion Strategy 2016-2022 Mid-Term Review, 2018: 13

With regard to Fintech start-ups, challenges seem to prevail in what concerns the creation and legal framework for these companies to operate, since the regulation processes and authorities to fully license, these companies are still unclear, despite the BoM consent to let them operate, especially the ones that have participated in the sandbox facilitated by the BoM.

In terms of the sustainability of FSDMoç as an ongoing concern: at the time of writing, no information has been made available towards any external or donor funding commitment to FSDMoç.⁷⁶ The FSDMoç sustainability depends highly on the availability of funds for administration purposes and for the interventions with partners as potential interventions might fit on the inclusive finance purpose. Therefore, and strictly speaking, FSDMoç cannot be considered as being sustainable unless and until it is able to mobilize funds for its functioning. It became clear when, in early 2020, FCDO felt compelled to close its commitment towards the program due to its own internal decision-making and reasons and, consequently, FSDMoç was not able to pursue some of the planned interventions.

Nevertheless, it has been reported in documents and in interviews with the evaluation team that FSDMoç has been preparing itself for the transition into a new independent entity (FSD 2.0), in part by investing in institutional and human resources capacity building⁷⁷ as approved in the FSDMoç Strategic Plan for 2020-2025.⁷⁸ In addition, FSDMoç, in order to face the financial challenges, has now, in 2021, developed a Business and Fundraising Plans⁷⁹ and has been negotiating with donors for financial support.

In terms of the sustainability of FSDMoç's interventions: the sustainability of stakeholders does not relate directly with the sustainability of FSDMoç, since the partner institutions/ stakeholders at Meso level, like the banks (ex., BCI, BankABC, Letshego and others); insurance companies (ex., Hollard or BRITAM) and mobile money companies (such as Vodafone – M-Pesa) are already independent in their activities. They have reported that they don't rely on FSDMoç funding to be able to undertake their business activities. In fact, some of their expected interventions did not take place due to lack of FSDMoç funding but they continued with their own or other resources, as the case of Hollard illustrates.

76 FSDMoç Annual Report Nr 1, reporting period: June 2020-2021: 44-50

77 It is expected that DAI continues the relationship with FSD in a future joint working program after the DAI contract ends with FCDO.

78 FSDMoç Annual Report Nr 1, reporting period: June 2020-2021: 3

79 It seems pertinent to mention that, regarding the FSDMoç sustainability, the 2017 Mid-Term Review of FSDMoç has indicated that there were some risks that should be addressed like the need to ensure the retention of FSDMoç team members, that would have a significant impact on the program if lost. in ARORA Associates Limited, Mid-Term Review of Financial Sector Deepening Mozambique, July 2017: v

EQ5

Evaluation Question 5: To what extent has FSDMoç mainstreamed gender equality and empowerment, disability equality, the most vulnerable, and environment and climate change in its planning and execution of its relevant plans?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Effectiveness

Answer to the EQ: Although the effects of these investments are not yet observable, the FSDMoç has worked with its funding partners from the start to ensure that the partners' gender strategies are mainstreamed in the financial inclusion thrust. It has generated strategic level documents that show what it has done and what it can do to support the SDG number 5 on women's equality and empowerment via financial inclusion and digital financial services. It prepared a gender strategy in 2015 which evolved into a Gender and Social Inclusion (GESI) Strategy in 2019 which went beyond gender into youth, physical and mental impairment and other social objectives. The FSDMoç has inserted GESI requirements in its planning and monitoring systems and they are mainstreamed into the investment approval and monitoring process; the evidence points to the fact that investment documents did not always include gender targets, much less effects. More recently, FSDMoç has worked with its implementation partners to include gender and other social objectives into the design of projects, but the effects of these investments are not yet observable, largely because the effects sought are essentially behavioral in nature, and these are not yet secured, but will appear in time. What FSDMoç has done of a noteworthy nature is to ensure that the partners it works through have mainstreamed some elements of gender equality and respect for youth and the handicapped in their operational planning and product design. Refer to Annex 11 for examples of GESI integration into interventions.

Statement of JC 5.1 The FSDMoç has mainstreamed key cross-cutting components in the planning, design, and implementation of its Strategic Plans and Workplans.

Assessment of the JC: Cross-cutting components have indeed been mainstreamed, primarily those dealing with gender.

In the early stages of the program, FSDMoç carried out a market system analysis⁸⁰ which provided recommendations for elaboration of a Gender Strategy in 2015. The analysis looked at strategies targeted at women's financial inclusion at macro, meso and micro level with a view that all interventions by FSDMoç draw attention to inclusion of women in the financial sector. In 2018 the process started on developing an updated strategy which also included youth and people with impairment, the

⁸⁰ FSDMoç, Access to Finance for Women Market System Analysis and Vision, 2015

Gender and Social Inclusion (GESI) strategy⁸¹, with the goal to have a responsive financial sector, ensuring equitable and fair access and usage of financial products and services for women, men, youth and people living with impairment. The strategy document includes a number “proposed GESI Activities by thematic area”. It also concludes that it may take a couple of years to engage stakeholders to implement the strategy and therefore it is too early to find tangible effects of this new strategy. Since the team has not received sufficient data on the specific application of RBM within FSDMoç, it cannot assess the extent to which CC Components are reported upon in a results-based manner.

The FSDMoç Mid Term Review (MTR)⁸² observed that “although all projects are required to disaggregate data by gender in their reporting, FSDMoç should consider the introduction of specific gender targets.” The MTR team noted that “none of the investment documents seen have included specific gender targets, with the exception of M-Pesa”. Based on the MTR, the log frame was adjusted to be realistic and reflect the current program implementation.^{83 84}

Besides the elaboration of the GESI, FSDMoç has enhanced their staff understanding and knowledge of gender and social inclusion through workshops and yearly events delivering key messages to the staff regarding women financial inclusion⁸⁵.

Statement of JC 5.2 The FSDMoç promoted cross-cutting issues of interest to its implementing partners in project planning and implementation.

Assessment of the JC: Partners are invited to participate in including cross-cutting concerns within their interventions. Most include gender and the handicapped in their proposals or project plans.

During elaboration of projects, implementing partners have been involved, among others to ensure gender and social inclusion is mainstreamed in planned activities / projects and capacity building for implementing partners and other relevant stakeholders has also been carried out⁸⁶. The GSEI Strategy document includes a number of proposed “GESI Activities” for projects like Paycode, Solar Works, SOMA (savings groups), MPESA, Britam (insurance), FinScope, etc. Available data indicates that the interventions are reaching women and SMEs. However, it is too soon to assess equity at impact level⁸⁷.

81 FSDMoç, Gender and Social Inclusion (GESI) Strategy, June 2019

82 Arora Associated Ltd, Mid-Term Review of Financial Sector Deepening Mozambique, July 2017

83 DFID Annual Review 5, review date May 2019

84 FSDMoç Power Point presentation: Discussion of Logframe revisions in response to MTR and AR recommendations, July 2017

85 FSDMoç, Gender and Social Inclusion (GESI) Strategy, June 2019

86 FSDMoç, Gender and Social Inclusion (GESI) Strategy, June 2019

87 DFID Annual Review 5, review date May 2019

Some achievements by implementing partners⁸⁸:

- Move!Care focus, during their marketing campaigns, more on women acquiring the insurance products.
- Tabech developed a mobile insurance platform by connecting insurance, MMO, service providers, funeral administrators or companies, vendors and payment aggregators to any mobile phone without depending on the Internet or bank accounts to give insurance access to rural populations, low-income and irregular income earners. 49% of Tabech's clients are women.
- The Valor Plástico project aims to promote the inclusion and development of underprivileged sectors through a plastic recycling commercial operation on several dump sites where the majority are women (80%) which are currently financially excluded.
- Paycode, on behalf of the National Institute for Social Action (INAS) has been delivering social payments to beneficiaries in the districts of Mabalane, Chokwé and Massingir in Gaza Province. Paycode reached 17,569 beneficiaries with financial literacy activities of which 72% are women.

Statement of JC 5.3 The FSDMoç included the cross-cutting issues of interest to its funding partners in its strategic plans, workplans and projects.

Assessment of the JC: Documents show that FCDO and Sida cross-cutting concerns and priorities were mainstreamed by FSDMoç.

FCDO has been involved in the design of the FSDMoç from the start. Cross-cutting issues have been analyzed during annual reviews as part of the annual Value for Money Assessment. The Equity criteria has over the years been classified as “good”. FCDO contributed to the elaboration of the Gender and Social Inclusion (GESI) Strategy which includes interventions that explicitly identify target groups for financial inclusion such as women, youth, small holder farmers, low-income segments^{89 90}. The GESI Strategy is therefore well aligned with the FCDO strategy on Gender and Social inclusion. The FSDMoç annual reports include gender disaggregated output and outcome indicators⁹¹.

Sida considers that FSDMoç program “is highly relevant for the key area of the Swedish Government Development Cooperation Platform related to gender equality and women economic empowerment, also key objectives under the development cooperation strategy for Mozambique 2015-2020”⁹² as gender has been taken into account in interventions with gender targets in the results framework.

⁸⁸ Value for Money Assessment 19/20, July 2020

⁸⁹ FCDO, Project Completion Review – post April 2018, Review date June 2020

⁹⁰ Interview FCDO

⁹¹ FSDMoç Annual Report FY 19/20

⁹² Sida, Financial Deepening Mozambique, Appraisal Report, March 2016

EQ6

Evaluation Question 6: Are there mechanisms in place to deal with the most important priority contextual and business environment changes required in Mozambique to enable the financial system to better serve the development-related needs of its population and financial institutions?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and sustainability.

Answer to the EQ: Largely due to the research conducted (and widely distributed) by the FSDMoç, all the players dealing with financial inclusion in Mozambique can be aware of the context and environment changes required for financial inclusion. There are coordination mechanisms (improvement possible) and strategic plans in place. The major stumbling blocks are a) regulatory and policy bodies are not fast enough to change b) the market is weak in terms of demand and c) private sector and third-party players do not have the capability to innovate in the Mozambican context. The players referred to above are consistent in their assessment of the high value-added of FSDMoç and see the role of facilitator and content provider as essential.

Statement of JC 6.1 A strategy and a execution plan to identify how the inclusive financial strategy of the Country would be achieved is in place.

Assessment of the JC: The FSDMoç has greatly assisted the Country's stakeholders to better understand the contexts, markets and forces at play in the financial inclusion ecosystem. That has enabled the players to develop well-crafted strategies based on evidence. These strategies are regularly reviewed for the most part and evolve as conditions change. What is not always available are well-made plans that show how, in a clear and detailed manner, the various strategies will be implemented in detail, taking advantage of complementarity and leveraging effects and assigning responsibility and accountability.

Mozambique has put into place national strategic plans for the development of the financial sector and poverty reduction. It has also approved a hybrid of these plans in the form of a National Financial Inclusion Strategy. The World Bank and the Central Bank undertook a Mid-term review of the NFIS in mid-2019 in which they concluded that there had been considerable progress in the implementation of the NFIS; they went on to illustrate where progress had been achieved. The findings of that report have been integrated into the second phase of the FSDMoç program. A business case is being finalized and will serve for fundraising and strategic planning over the next years.

A key feature of the FSDMoç is its use of the Making Markets Work for the Poor (M4P) approach, and FSDMoç and its partners have strategically decided to focus on market vectors in the delivery of goods and services related to financial inclusion. Another documented feature is the important emphasis being placed on the role of the private sector in policy support (ex., working groups for the NFIS) and the corresponding evolution of strategies that are jointly developed.

The evaluation team has found that the majority of “strategy” documents are not accompanied by an operational workplan that identifies how the strategy will be implemented.

Statement of JC 6.2 The major constraints that affect the achievement of more appropriate and affordable financial systems have been identified along with a strategy to eliminate them.

Assessment of the JC: There are many documents that indicate the constraints faced at various levels. Many descriptions are overly generic and need to be more specific as a result of contextualization, but this is not perceived by the evaluation, as a critical issue. It would assist in effectiveness because it would assist in identifying and therefore mitigating against specific risks.

Documents prepared for the program (studies, M and E, periodic reports, etc.) indicate that there are many constraints to the introduction of financial including in Mozambique. These constraints range from the obvious (ex., the people are poor and have a difficult time even participating in the informal financial sub-sectors) to the conceptual (paradigms of risk tolerance are not the same in Mozambique as they are elsewhere ex., Kenya). Some of the constraints identified are directly related to financial inclusion improvement for ultimate beneficiaries (ex. there is a lack of physical banks in rural areas, so the citizens have recourse to non-banking mechanisms for their finances). Some are indirect but critical (ex., cell phone applications for financial transactions require cell phone towers which are not always available). Some are economic or systemic in nature (ex. when inflation affects prices for basic commodities, the SMSE find that their profits are eroded and tend to make fewer transactions on a more infrequent basis).

Many documents refer to the reduced funding that FSDMoç has received and the dearth of funding partners besides FCDO, Sida and KFW in the future. The GoM is not seen to be a source of financial support, thus adding to the constraint. The FSDMoç does not publish reports that clearly link constraints to solutions. It has, however, published a document that links what it does (or can do) to the various Sustainable Development Goals of the UN; that can be considered as a set of strategies to objectives based on constraints.

There are two things that seem to be lacking: the first is a costed detailed workplan for the implementation of the NFIS. If that was in place, FSDMoç could develop its own to match its contribution to the implementation of the NFIS. The second is a clear and unambiguous commitment from the GoM (and not only the BoM) to streamline the regulatory and legal frameworks that constrain the roll-out of financial inclusion actions. Of particular concern is the lack of predictability that now characterizes the decision-rendering process; documents clearly show that FSDMoç is keenly aware of this problem and works as an advocate to get things to change. There are important successes, but more is required.

As with any good assessment, constraints must be contextualized and assigned to particular objectives. A constraint is, by definition, something that reduces an ability to achieve a stated purpose or objective. Most documents, including the MTR and progress reports of all kinds, generalize the nature and importance of constraints rather than treating them for what they are: risks. The constraints associated with rolling-out a cellphone app for transferring money from one account to another must be considered differently from the constraints in obtaining licenses from regulators for the roll-out of a financial service. The planning documents should be clearer on what the contextualized risks are and what needs to be done to mitigate against the, an important document for an overview of the constraints in a particular sub-sector are found in “A Case Study on Alternative SME Finance and Informal Finance”, a study published in 2020 by FSDMoç. It identifies the constraint (often expressed as a lesson learnt) and proposes “a way forward”. Straightforward editing could transform the document so that it would qualify the activities required to improve the financial inclusion interface amongst SME; from that would come plans of actions that deal with the constraints.

Notwithstanding the above, the use of the M4P approach necessarily forces the FSDMoç to deal with the inherent conflicts and constraints that are found in the interplay of market forces. The use of that approach has certainly helped FSDMoç to structure its strategies and approaches and thus will have had a positive effect on its overall performance. For a set of detailed comments related to FSDMoç’s approach refer to the Case study noted previously.

Statement of JC 6.3 The role of an organization such as the FSDMoç in bringing about the improved financial deepening is clearly defined and there is consensus of the role by key stakeholders.

Assessment of the JC: The FSDMoç is clearly and consistently identified as an evidence-based knowledge provider of market interfaces. It is also recognized as a facilitator. We were unable to get an invitation to meet the Central Bank to examine the positioning and role it wants the FSDMoç to adopt.

The FSDMoç is clearly and consistently identified as an evidence-based knowledge provider of market interfaces. It is also recognized as a facilitator, a role highly prized by the private sector which would not normally have good access to policy making bodies. But the evaluation could not identify a formal positioning that would exist as a result of a statement of function or responsibility (similar to what defines the exclusive role of the BVM, for example). The recent mid-term review of the NFIS mentions, on numerous occasions, the roles that many players from the public, private and Non-state Actors sectors have to play in the various networks that are or should be in place to implement the NFIS, but scarcely mention FSDMoç. Interviews indicate that Working Group leaderships rotate among members and that FSDMoç is an active player, but the “positioning” is not defined.

It is noteworthy that documents consistently seem to focus on FSDMoç's role in knowledge and content facilitation. For example, one such document notes that the "Role of FSDMoç will continue to be important to build on analysis and highlight additional thematic areas and showcasing the relevance of the data until the next FinScope. Ultimately also contributing to incentivizing the ownership and financial contribution to FinScope by industry stakeholders. It can also allow FSDMoç to engage FSPs to inform the development of new solutions (e.g., products) to reach their customers. As well as structure a better marketing insights platform for stakeholders to demonstrate for the relevance to their work".

6 Conclusions

The following are the key conclusions that have arisen from the analysis carried out by the evaluation team. They are not the only conclusions that can be drawn, however, and the answers to the Evaluation Questions and Judgment Criteria statements are, in fact, conclusions drawn from deductive reasoning.

Each conclusion is accompanied by an indication of the extent to which the evaluation team believes that there is a high level of validity in the statement of the conclusion. The standards are:

1. Absolutely no doubt about the validity.
2. High degree of confidence but not absolute certainty. The client should feel comfortable acting on the conclusion.
3. Medium level of confidence. The client should feel that the findings support the conclusions but that there is some uncertainty. If there is a need to act on the conclusion, further due diligence would be useful, depending on risk to client of decision taken.

This report does not contain any conclusions based on a “low” level of confidence in the validity of findings.

Conclusions are grouped according to “priority” or importance to the objective of the evaluation.

Priority 1

Statement of conclusion 1. The effects that FSDMoç seeks to generate are relevant to the economic and social development of the people of Mozambique and if FSDMoç were not able to help generate them the well-being of Mozambicans (as referenced by the SGDs) would take much longer to significantly improve, if ever.

Level of confidence in the findings supporting the conclusion:
1

Refers primarily to EQ number:
1, 2

Statement of conclusion 2. FSDMoç has been particularly effective in facilitating and enabling the development and roll-out of innovative financial digital solutions required by the market and designed specifically for market conditions. (For example, the program supported several Fintechs with grants and technical assistance to help them develop their products and at the same time provide Central Bank with evidence to later create legislation for Fintechs). This is particularly relevant when that strategy is compared to the need to reach beneficiaries (or clients) across the country in keeping with research that indicates that inclusion in Africa will have to largely take place through Fintechs.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 1, 2
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Statement of conclusion 3. Although there have been many monitoring and compliance-type reports written on the FSDMoç over the years, there are few that mention effects that were, or were not, generated by FSDMoç. The justification most often used is that the effects generated by FSDMoç will not be observable in the short-to-mid term, but the lack of focus on effects has colored the overall impression of the performance of the FSDMoç; for example, we know little of the pathways between the intermediate outcomes generated by FSDMoç and the ultimate outcomes, so are unable to validate that part of the strategy and Theory of Change. For example, the MTR concludes that “FSDMoç has consolidated its position as the lead market facilitator and a credible partner supporting the financial inclusion agenda. FSDMoç investments in people and institutional capacity, and its important role as a facilitator in the sector, have supported a constructive environment for financial sector development, and financial inclusion”. These comments are essentially based on outputs and induced outputs and not on effects.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 2, 3, 4
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Statement of conclusion 4. FSDMoç, directly or through partners, has implemented a range of interventions offering targeted investments and insights to unleash, one way or the other, the potential of the financial sector to improve financial inclusion. The program contributed through a range of actions to help various government agencies and private sector operators of all kinds to build access gateways for financial inclusion, particularly but not only the use of digital finance to change the financial sector landscape in the country where fintech and innovations did not previously exist. (Note: part of this conclusion was also included in the MTR). FSDMoç supported interventions that improved the understanding of contextualized market realities and business cases for better product design and delivery for MSMEs, individuals and smallholder farmers; catalyzed financial services innovation and expansion through investments in start-ups and small businesses; supported the regulatory environment to ensure success of business models and market take-up, and improved knowledge sharing by and implementation capacity of key financial inclusion stakeholders. But much still needs to be done

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 1, 2, 4, 5
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Statement of conclusion 5. As the MTR (among other documents including evaluations of FSD programs in other countries) concluded, FSD programs are different from standard donor funded programs due to their focus on systemic change in a complex business and social environment categorized by a strong resistance to risk in financial institutions and those that support them, It takes considerable time to: build strategic alignment with public and private sector

partners, before and after approving investments; improving credibility amongst market actors and policy makers, as well as clarifying strategic interests and operating methods, so that the partners buy into the agenda and ways of working.

These facts lead to the conclusion that FSDs should be built for the long term and donors should base their assessments and expectations on that timespan. The evidence shows that the broad macro context and the state of financial sector development/ financial inclusion in Mozambique demonstrates both the need for, and the difficulty of, delivering a market development program in a challenging context. There is long term value of financial sector development/ systemic change contributing to economic growth and improved livelihoods.

Level of confidence in the findings supporting the conclusion:
1

Refers primarily to EQ number:
1, 2, 4, 5

Statement of conclusion 6. The performance of the FSDMoç in terms of the generation of the expected program output results until June 2020 is good to excellent, depending on the indicator. The results to June 2021 improve on those results. The social and human effects generated by those results are not yet observable as a rule but there is no reason to believe that they will not be generated over time as a more comprehensive set of components of the financial inclusion ecosystem are put into place.

Level of confidence in the findings supporting the conclusion:
1

Refers primarily to EQ number:
2,4

Statement of conclusion 7. FSDMoç's interventions are not always able to generate their intended results because the regulatory framework in the Country and/or the administrative bureaucracy act as serious constraints to change, Interviews have indicated that even with significant results regarding legislation evolution (or improvement or adaptation), this does not necessarily lead to the act of providing a license to operate if the product being assessed was successfully developed through the 'sandbox'. The causes of such delays in finalizing the licensing process needs to be further researched, as they seriously affect the potential deployment of the Fintech business applied to financial inclusion, and therefore the FSDMoç's performance.

Level of confidence in the findings supporting the conclusion:
1

Refers primarily to EQ number:
2,4

Statement of conclusion 8. Based on rigorous evaluations done by trustworthy sources over many years, the FSDMoç would be a good development partner for Sida because in addition to having been **effective** in executing its workplans, it operates in an **efficient** manner with an **excellent** performance dealing with economy, a good rating for **equity** and an overall good rating for **Value for Money**.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 3
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Statement of conclusion 9. There is strong evidence to show that FSDMoç is seen by the multifaceted players in financial inclusion in the Country as a professionally qualified and effective facilitator and enabler that is necessary for the realization of the objectives of the National Financial Inclusion Strategy to be achieved. This local coordination included: FSDMoç actively engaging the government at various levels, including the Ministry of Economy and Finance, the Mozambican Central Bank, the Institute of Insurance Supervision and the National Bureau of Statistics to name but a few. Of particular note is the perception by stakeholders that the FSDMoç works on an evidence-based foundation that helps to reduce risks in investment decisions.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 1, 2, 4
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Statement of conclusion 10. FSDMoç is able to plan strategically and develop cooperation partnerships with its “beneficiary clients” as well as with policy and regulatory agencies that provide the frameworks for financial activities in Mozambique. The latter are not necessarily in a position to rapidly enact changes to these frameworks and therefore the FSDMoç or its beneficiary partners sometimes cannot proceed as planned.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 2, 3, 4
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Statement of conclusion 11. FSDMoç cannot be self-financing over the foreseeable future and must rely on external funding.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 1, 4
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Statement of conclusion 12. While it is not possible to provide an assessment of the sustainability of awareness-type activities or of advocacy actions, most interventions for which FSDMoç has provided support are, by their very nature, market-driven and therefore sustainable

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 2, 3, 4
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Statement of conclusion 13. Although there are many internal and external reports that contain risk management sections, it is very rare to find any mention of the management of those risks in M and E - type of reports and it does not appear as if risk management and results-based management are closely related and need to be handled simultaneously within FSDMoç.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 2, 3, 4
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Statement of conclusion 14. The effects that FSDMoç seeks to generate would be generated in a more effective and efficient manner if key Government of Mozambique agencies (ex. MEF and BoM), international donors and IFI (ex. WB, KfW, Sweden, AfDB), and national private sector and Non-State Actor sector organizations (ex. ISSM) were better coordinated with clear responsibilities, assignments and accountability, and if the entire effort to implement the National Financial Inclusion Strategy was managed as a comprehensive project with a clear project management approach.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 1, 3
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Statement of conclusion 15. Even if the response time for our inquiries was short, the FSDMoç and its implementation agency (DAI) have been unable (as of the date of the draft of this report) to provide a comprehensive list of approved interventions with results-based costing, leaving the team to conclude that they do not manage the program on that basis. The FSDMoç does, however, have systems in place to monitor the contractual processes it uses to manage grants and the progress of the grantees against plans and commitments. It also has in place a program (called TAMIS) that supposedly contains all of the data requested but it has not been possible to obtain the data we require in the form in which we require it.

Level of confidence in the findings supporting the conclusion: 1	Refers primarily to EQ number: 2, 3
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Priority 2:

Statement of conclusion 16. The FSDMoç is now equipped with the policies, processes, systems, operating manuals, protocols and information systems that are required for it to manage its own development and the interventions it will support in the future. There is a very low level of risk to funding donors concerning the institutionalization of the FSDMoç.

Level of confidence in the findings supporting the conclusion: 2	Refers primarily to EQ number: 2, 3,
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Statement of conclusion 17. The FSDMoç and DAI Annual Report Apr 2019-Mar 2020 notes that performance metrics at the strategic level show that national objectives are being met with FSDMoç contributions and support. For example, there is a significant reduction in the number of excluded people from 60% in 2014 to 46% in 2019 (data is supplied by FinScope which does not publish annually). A challenge remains in the rural areas where the number of excluded people is still high, at 60%, and where the number of transactions being carried out is very low

per user even if almost 100% of those with access do transactions on the platform over a year timespan and more than half receives money through the platform.	
Level of confidence in the findings supporting the conclusion: 2 (the figures should be revised with 2021 FinScope data when available. This does not change the core of the conclusion	Refers primarily to EQ number: 1, 2

Statement of conclusion 18. FSDMoç has helped deepen the Central Bank's understanding of the opportunities presented by Fintech and how the operating and regulatory environment can and should support the development of the sector. It has signed specific MOUs for interventions as well as overall MOU for ongoing development collaboration and advocacy, as such, it appears to have been able to develop a special and tight relationship with the Central Bank that most other donors and IFI do not necessarily have, thus offering an opportunity for Sida to support what is clearly effective leveraging of advocacy actions.	
Level of confidence in the findings supporting the conclusion: 2	Refers primarily to EQ number: 1, 3

Statement of conclusion 19. A key value-added of the FSDMoç in terms of supporting the national perspective and thrust on financial inclusion is its ability to provide knowledge products and facilitate improved mastery and awareness in the domain. Of particular note is the fact that the MDF approved 42 infrastructure and service projects but also 89 knowledge investments (studies, seminars, etc.). The 89 initiatives represent almost 25% of the total MDF expenditures. Those investments have, however, benefitted every organization involved in financial inclusion in Mozambique, reducing their risks, focusing their actions and strategies, and highlighting market development actions and opportunities. There has not been any evaluation of the effects of these investments, but it is hypothesized that they would have provided a considerable amount of value for money, both strategically and operationally.	
Level of confidence in the findings supporting the conclusion: 2	Refers primarily to EQ number: 1, 2, 3

Statement of conclusion 20. FSDMoç has been successful in mainstreaming cross-cultural issues such as gender and youth in its strategies and programs but it has not yet been able to show the effects of its programming on vulnerable groups across the country. Nor has it been able to mainstream actions and considerations dealing with people with impairments in its monitoring systems are not yet able to identify effects at the ultimate beneficiary level, but it has systems in place to pick up such effects when they occur.	
Level of confidence in the findings supporting the conclusion: 2	Refers primarily to EQ number: 1, 2, 5

Statement of conclusion 21. With respect to the execution of its Theory of Change, the FSDMoç sometimes operates as the leading instigator of actions (ex. data gathering and analysis, studies) and sometimes as a lagging participant (ex. open requests for funding opportunities that could receive support); as a result, the FSDMoç is not acting in a focused, priority-based directive mode while its actions cover a very broad scope (ex. agent banking, awareness, institutional development of BVM , payments systems using Fintechs).

Level of confidence in the findings supporting the conclusion: 2	Refers primarily to EQ number: 2, 3, 4
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Priority 3:

Statement of conclusion 22. Documents show that where the data for the monitoring of FSDMoç's social impacts was available, the target results were met or exceeded. Some targets are not reported upon and are complex in nature (ex. number of people better able to adapt to climate change as a result of FSD support).

Level of confidence in the findings supporting the conclusion: 3	Refers primarily to EQ number: 2, 4, 5
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7 Recommendations

Although the following set of recommendations refer to particular conclusions, they have been developed based on the entire praxis concerning the FSDMoç. Most of the recommendations take into account the ToR statement specifies that the objectives of the evaluation include (to) “formulate recommendations as an input to upcoming discussions concerning the preparation of a new phase of the intervention”. We understand that these discussions will begin with an internal clientele and that the results of those deliberations will be carried over to FSDMoç and possibly other stakeholders. To that end, the following recommendations are stated as strategic and operational management imperatives that are of interest to Sida in the further consideration of support to financial inclusion as part of its development strategy for Mozambique.

Recommendations are divided into two parts: strategic and operational. They are also prioritized:

- Priority 1: Should be implemented in order to improve relevance, effectiveness and sustainability. These recommendations are vectors of success or failure.
- Priority 2: Should be implemented to improve efficiency.

While it was not part of the scope of the evaluation, the evaluation team was asked to suggest the key strategic directions that FSDMoç should use in the future.

Given that FSDMoç has been working on 3 levels of stakeholders/beneficiaries as a consequence of adopting what was then called the M4P approach, namely

- a. Macro – support to Government institutions, policy makers, legislation makers for an improved enabling environment;
- b. Meso – infrastructure for improved financial inclusion (like: GIS -geo-localization of points of financial services, banks and mobile wallets inter-operability);
- c. Micro – support to financial institutions, Fintechs, and other stakeholders directly in contact with final beneficiaries (i.e agri-businesses, Saving and Credit Groups’ Operators, PayGo equipment and services) for expansion of access.

And **given** that the evaluation report has identified a number of key recommendations for Sida to consider based on the past performance of the FSDMoç,

Then the following overall direction is suggested:

In the next phase, FSDMoç should continue to work on the 3 levels,

- With a clear and consistent classification of the level of intervention, according to the objectives and the stakeholders involved in the intervention
- With more emphasis on the Macro and the Micro levels.

Macro-level, because

- the legal framework is still inadequate for the adoption of new technologies and approaches, and to the Mozambican context. There are still improvements to be introduced to allow a fluid, although customer-protective, financial inclusion.
- The processes for application of the new legislations need to be speed-up, and some support could be provided to the supervision's institutions to review and improve the processes for authorizations/licensing.

Micro-level: despite the progress made regarding the expansion of access during the first phase – bank/mobile wallet account (deposit, transfer, payment), financial inclusion is still limited.

Meso-level doesn't seem to need heavy support, as it is already heavily supported by other donors when it refers to national level infrastructure, or it involves the private sector stakeholders who can negotiate and implement enabling actions without (or with little) external support.

Regarding the support at micro level, FSDMoç should opt for a result-based support strategy, instead of a matching grant; this is: rewarding the achievement of outputs (could be proportional basis) instead of providing matching grants.

The support should be improved in three directions, namely:

- Continuous expansion (provinces, districts, rural), looking not only for account opening, but use of the same (keeping in mind specifics of rural areas were little or no transaction are made out of the harvesting season);
- deepening (poverty, women, youth, rural);
- and diversification of financial services offer; insurance provision, lending, financial education and business management support for MSME.

Note: FSDMoç cannot be involved in the credit activity directly, nor is it advisable to provide credit funds or guarantee funds for the banks to provide loans, but FSD could incentive banks to provide credit to MSME by rewarding agreed categories of clients: Microfinance institutions for them to lend to MSME, women and youth entrepreneurs – in liaison with business incubators, youth/women entrepreneurship training programs, etc.

The same can be done with Insurance and Pay-Go applied to selling equipment (solar energy) or providing services to low-income / rural people.

Strategic recommendations based on the evaluation mandate (relate to the what and the why):

Recommendation statement 1. Sida should continue to provide financial support to the FSDMoç; it should also insist that the FSDMoç develop its investment and management monitoring systems so that it, as well as its funding partners, enhance its ability to monitor and qualify/quantify higher-level effects

Priority: 1	Organization primarily targeted: FSDMoç, Sida, KfW, other potential donors	Refers to conclusions:
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Recommendation statement 2. The Central Bank, as the agency responsible for the implementation of the national financial inclusion strategy, should develop and put into place coordination systems that leverage the comparative advantage of all stakeholders involved and put in place a program approach to link all players involved in financial inclusion strategies. It should tie this approach to more effective mechanisms for decision-making within the GoM relative to improving the effectiveness of financial frameworks and removing constraints for financial systems innovation. An approach similar to a matrix management would enable a “client” to emerge while other resources would support a concerted effort with clearly defined responsibilities.

Priority: 1	Organization primarily targeted: Central Bank Financial Inclusion Strategy Unit, All stakeholders.	Refers to conclusions
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Recommendation statement 3. Sida, FSDMoç, the Central Bank and other key stakeholders should immediately expand the national financial inclusion strategy to include an analysis of the financial, human resources and policy gaps required to meet the expectations of that plan. An equivalent of a “task Force” should do this and report to the Central Bank. From that analysis, donors and stakeholders should commit to a plan of action that would involve their contribution, technical and other support and guidance. If required the funds for this should be requested as a grant from the African Development Bank, the World Bank or similar IFI.

Priority: 1	Organization primarily targeted: Sida, FSDMoç, AfDB, WB	Refers to conclusions
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Recommendation statement 4. Sida should require that FSDMoç focus its interventions so that priority steps that would be required for financial inclusion take place, even if it means that FSDMoç take on a more directive role⁹³.

93 The MTR of the NFIS (National Financial inclusion Strategy) was done by the WB which was agreed with the Central Bank as the coordinator of the NFIS implementation. The coordination of the working groups created within the NFIS is done on a rotation principle, for instance, FSDMoç was the first coordinator of the working group on Strengthening Financial infrastructure. In addition, FSDMoç is a member of the following working groups; Financial Education, Access and Usage of Financial

Priority: 2	Organization primarily targeted: FSDMoç, BdM	Refers to conclusions
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Recommendation statement 5. FSDMoç should ensure that it has a permanent fundraising (or funding) capability that will actively seek to fill funding gaps. This should be paid for by donors as part of the operating capital budget of FSDMoç. Sida should not continue to fund FSDMoç if it cannot be assured that FSDMoç is actively setting up and resourcing a highly effective fundraising capacity.

Priority: 2	Organization primarily targeted: Sida, KfW, other key possible funding agencies	Refers to conclusions
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Operational or tactical recommendations (relate to the how, who or when)

Recommendation statement 6. Much better systems should be developed to ensure that FSDMoç investments and actions can be explained and assessed, including financial information relating to costs and commitments. Interventions that are ongoing should be easily identified as being separate from those that are finished or have not started, and costs should be easily identified (to those with access permission, of course).

Priority: 2	Organization primarily targeted: FSDMoç	Refers to conclusions
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Recommendation statement 7. FSDMoç should further develop its intervention management systems to include a “cradle to grave” approach, where all bureaucratic and regulatory requirements are identified at the outset of an intervention and the feasibility and time span of licensing success established ex ante. In the same vein, the innovation should continue to be monitored after the “agreement” ends to make sure that FSDMoç’s leveraging power and influence as a facilitation helps to remove unnecessary constraints of a bureaucratic nature. It is recognized that this recommendation implies that regulatory agencies have the power to enable this to happen. Mechanisms will need to be developed to include them in the innovation process at the outset so that they can indicate the likelihood of constraints.

Services and Interoperability. Also, new sub-working groups were formed as part of the MRT recommendations, one of which was digital payments where FSDMoç was indicated to co-chair the coordination together with the Central Bank. Beside this role that FSDMOC is playing as member of different working groups within NFIS Committee, FSDMoç has a MoU with the Central Bank. This was formalized in 2017 for the establishment of the Regulatory Sandbox, but was extended recently for a broader collaboration.

Priority: 2	Organization primarily targeted: FSDMoç	Refers to conclusions 2, 3
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Recommendation statement 8. Future Sida funding should be deposited on a specific bank account in FSDMoç's name unless Sida is prepared to give "core support" (general budget support). If Sida funds will be earmarked (for certain type of interventions), financial and results reporting must correspond to agreed plans and budgets.

Priority: 1	Organization primarily targeted: FSDMoç	Refers to conclusions 3
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Recommendation statement 9. Audit should be awarded for a multi-year period to avoid annual tendering. The auditors selected for FSDMoç would also audit the Sida bank account / Sida funds.

Priority: 2	Organization primarily targeted: FSDMoç	Refers to conclusions 3
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Annex 1 – Terms of Reference

Terms of Reference, Final Evaluation of Financial Sector Deepening Mozambique (FSDMoç) 2016-2020

Introduction

FSDMoç is part of a broader Financial Sector Development Network (FSD Network) along with nine other FSD entities (Tanzania, Uganda, Zambia, Mozambique, Rwanda, Kenya, Nigeria, FinMark Trust and FSD Africa) operating under different structural arrangements across the Sub-Saharan Africa. All of them have been established and funded by DFID (currently Foreign, Commonwealth & Development Office) initially and currently sit under the umbrella of FSDA (Financial Sector Deeping Africa) which aims to promote coherence, share best practice, and realise economies of scale across the network.

The FSDMoç program (2014-2020) aimed at facilitating access to financial services with a focus on expanding the levels of financial inclusion in Mozambique. It was funded by the United Kingdom (UK) Government, through the Foreign, Commonwealth & Development Office (former Department for International Development-DFID), and the Sweden Government through the Swedish International Development Cooperation Agency (Sida). Development Alternatives, Inc. (DAI) is the service provider contracted to deliver the program for the period March 2014 to March 2019, together with the implementation partner Nathan Associates. The program was extended by 11 months (from April 2019 to March 2020). A further extension was signed between FCDO and DAI from June 2020 – June 2021 to transition FSDMoç into an independent entity. FSDMoç directs its investments and insights to address constraints in the financial market, helping the diversification of Mozambique's economy and bringing prosperity and economic resilience to Mozambique's people. At the core of its strategy, are women, youth, and the rural low-income population, as well as small businesses that lack access to appropriate and accessible financial services. FSDMoç supports key stakeholders to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve.

Expected results of FSDMoç

The program aims to improve financial inclusion in Mozambique, by reaching 2.6 million beneficiaries and 1000 MSMEs.

FSDMoç Theory of Change (ToC)

FSDMoç's activities and approach follows the Theory of Change (ToC) that should in turn lead to improved financial inclusion in Mozambique. The ToC is used for determining interventions and tracking systemic changes. It outlines the expected sequence from planned interventions to expected results through market system

changes (outputs) and increased access for individuals (smallholder farmers, women, men) to financial services and MSMEs (outcomes).

The FSDMoç Theory of Change (ToC) addresses the main market system challenges, which impede financial inclusion of individuals and MSMEs. These are identified in three levels:

Macro level: (i) Inadequate enabling environment for financial service growth; (ii) Interventionist government policy distorts market incentives; (iii) Slow responsiveness to new services e.g., branchless banking.

Meso level: (i) Lack of infrastructure to overcome information asymmetries; (ii) Collateralisation difficult given current arrangements; (iii) Lack of alignment in payment system; (iv) Shortage of good financial information and market analysis.

Micro level: (i) MSMEs lack ability to develop financial statements; (ii) Low financial capability of smallholder farmers, poor and marginalized; (iii) Low ability of banks and NBFIs to innovative products and services; (iv) Highly profitable banks lack incentives to go down market.

Evaluation purpose and intended user

This evaluation takes place in a context where the Foreign, Commonwealth & Development Office (UK) has decided not to partake in the funding of a second phase of the FSDMoç. With a changing donor structure, as well as the upcoming strategy for Swedish development Cooperation in Mozambique. The Embassy wants to conduct this evaluation to determine whether the obtained results motivate a continued commitment in the current context. The relevant Objective for the FSDMoç corresponds to the proposed Swedish strategy are *inclusive economic development*.⁹⁴

The primary intended users of the evaluation are:

Sida/the Embassy of Sweden in Maputo

The evaluation is to be designed, conducted, and reported to meet the needs of the intended users and tenderers shall elaborate in the tender how this will be ensured during the evaluation process. Other stakeholders that should be kept informed about the evaluation include the FSDMoç Secretariat and KfW.

Evaluation objectives

The objectives of this evaluation are to:

Evaluate the Swedish support to FSDMoç in Mozambique (2016-2020) in relation to the objectives set as well as to;

⁹⁴ Instructions to Sida to prepare a basis for a strategy for Sweden's development cooperation with Mozambique 2021 - 2025

Formulate recommendations as an input to upcoming discussions concerning the preparation of a new phase of the intervention.

Evaluation scope

The evaluation scope is limited to the implementation period of the Financial Sector Deepening Moçambique program (2016-2020). The evaluation will be conducted as a desk study based on the documents to be reviewed in Annex B, as well as stakeholder interviews. Stakeholders to be included in the evaluation include:

FSDMoc secretariat

KfW

Foreign, Commonwealth & Development Office of the UK

Intermitter financial institution partners

Criteria and questions

The final evaluation should provide an illustration of how the program is addressing Sweden's overall development strategy for Mozambique. The end goal of the final evaluation is to provide a comprehensive review for the Embassy to make decisions on whether continue to support the FSDMoç program. Therefore, the review should take into account to what extent FSDMoç achieved intended results using the value for money approach in order to assess the program contribution.

The evaluation questions are:

Relevance: Is the intervention doing the right thing?

To what extent has the intervention objectives and design responded to the beneficiary (i.e. poor men, women, smallholder farmers) needs and priorities, and have they continued to do so if/when circumstances have changed?

To what extent has the intervention objectives and design responded to the intermitted financial institution partner's needs, priorities, and policies?

To what extent have lessons learned from what works well and less well been used to improve and adjust intervention implementation?

Coherence: How well does the intervention fit?

How compatible has the intervention been with other interventions in the financial sector in Mozambique?

Effectiveness: Is the intervention achieving its objectives?

To what extent has the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups?

Has the M&E system delivered robust and useful information that could be used to assess progress towards outcomes and contribute to learning?

Efficiency: How well are resources being used?

To what extent has the intervention delivered, or is likely to deliver, results in a cost-effective and timely way?

Impact: What difference does the intervention make?

To what extent has the project or program generated, or is expected to generate, significant positive or negative, intended, or unintended, high-level effects?

Sustainability: Will the benefits last?

To what extent will the net benefits of the intervention continue, or are likely to continue?

Questions are expected to be developed in the tender by the tenderer and further refined during the inception phase of the evaluation.

Evaluation approach and methods

It is expected that the evaluator describes and justifies an appropriate evaluation approach/methodology and methods for data collection in the tender. The evaluation design, methodology and methods for data collection and analysis are expected to be fully developed and presented in the inception report. Given the situation with Covid-19, innovative and flexible approaches/methodologies and methods for remote data collection should be suggested when appropriate and the risk of doing harm managed. The evaluator is to suggest an approach/methodology that provides credible answers (evidence) to the evaluation questions. Limitations to the chosen approach/methodology and methods shall be made explicit by the evaluator and the consequences of these limitations discussed in the tender. The evaluator shall to the extent possible, present mitigation measures to address them. A clear distinction is to be made between evaluation approach/methodology and methods.

A *gender-responsive* approach/methodology, methods, tools and data analysis techniques should be used⁹⁵.

Sida's approach to evaluation is *utilization-focused*, which means the evaluator should facilitate the *entire evaluation process* with careful consideration of how everything that is done will affect the use of the evaluation. It is therefore expected that the evaluators, in their tender, present i) how intended users are to participate in and contribute to the evaluation process and ii) methodology and methods for data collection that create space for reflection, discussion and learning between the intended users of the evaluation.

In cases where sensitive or confidential issues are to be addressed in the evaluation, evaluators should ensure an evaluation design that do not put informants and stakeholders at risk during the data collection phase or the dissemination phase.

Evaluation Quality

All Sida evaluations shall conform to OECD/DAC's Quality Standards for Development Evaluation. The evaluators shall, therefore, use the OECD/DAC Glossary of Key Terms

⁹⁵ See for example UNEG United Nations Evaluation Group (2014) Integrating Human Rights and Gender Equality in Evaluations <http://uneval.org/document/detail/1616>

in Evaluation and shall specify how quality assurance, in accordance with DAC's quality standards, shall be handled by them during the evaluation process.

Time schedule and deliverables

It is expected that a time and work plan are presented in the tender and further detailed in the inception report. Given the situation with Covid-19, the time and work plan must allow flexibility in implementation. The evaluation should commence at end of September/ beginning of October 2021 and be completed by mid-November 2021. The evaluation will run for approximately 45 consulting days (total level of effort).

The timing of surveys and interviews need to be settled by the evaluator in dialogue with the main stakeholders during the inception phase. The table below lists key deliverables for the evaluation process. Alternative deadlines for deliverables may be suggested by the consultant and negotiated during the inception phase.

Deliverables	Participants	Deadlines
Digital start-up meeting	Evaluators Embassy of Sweden	Tentative 2021-09-30
Draft inception report		Tentative 2021-10-15
Comments from intended users to evaluators (alternatively these may be sent to evaluators ahead of the inception meeting)	Evaluators Embassy of Sweden	Tentative 2021-10-21
Draft evaluation report		Tentative 2021-11-04
Comments from intended users to evaluators	Evaluators Embassy of Sweden FSD-Secretariat	Tentative 2021-11-12
Final evaluation report		Tentative 2021-11-19

i. The **inception report** will form the basis for the continued evaluation process and shall be approved by the Embassy before the evaluation proceeds to implementation. The inception report should be written in English cover evaluability issues and interpretations of evaluation questions, present the evaluation approach/methodology including how a utilization-focused and gender-responsive approach will be ensured, methods for data collection and analysis as well as the full evaluation design, including an evaluation matrix and a stakeholder mapping/analysis. A clear distinction between the evaluation approach/methodology and methods for data collection shall be made. All limitations to the methodology and methods shall be made explicit and the consequences of these limitations discussed.

A specific time and work plan, including number of hours/working days for each team member, for the remainder of the evaluation should be presented. The time plan shall allow space for reflection and learning between the intended users of the evaluation.

ii. **The final report** shall be written in English and be professionally proofread. The final report should have a clear structure and follow the layout format of Sida's template for decentralized evaluations (see Annex C). The executive summary should be a maximum of three (3) pages.

The report shall clearly and in detail describe the evaluation approach/methodology and methods for data collection and analysis and make a clear distinction between the two. The report shall describe how the utilization-focused approach has been implemented i.e. how intended users have participated in and contributed to the evaluation process and how methodology and methods for data collection have created space for reflection, discussion, and learning between the intended users. Furthermore, the gender-responsive approach shall be described and reflected in the findings, conclusions, and recommendations along with other identified and relevant cross-cutting issues. Limitations to the methodology and methods and the consequences of these limitations for findings and conclusions shall be described. Evaluation findings shall flow logically from the data, showing a clear line of evidence to support the conclusions. Conclusions should be substantiated by findings and analysis. Evaluation questions shall be clearly stated and answered in the executive summary and the conclusions. Recommendations and lessons learned should flow logically from conclusions and be specific, directed to relevant intended users, and categorized as short-term, medium-term, and long-term.

The report should be no more than 25 pages excluding annexes. If the methods section is extensive, it could be placed in an annex to the report. Annexes shall always include the Terms of Reference, the Inception Report, the stakeholder mapping/analysis, and the Evaluation Matrix. Lists of key informants/interviewees shall only include personal data if deemed relevant (i.e. when it is contributing to the credibility of the evaluation) based on a case-based assessment by the evaluator and the Embassy. The inclusion of personal data in the report must always be based on written consent.

The evaluator shall adhere to the Sida OECD/DAC Glossary of Key Terms in Evaluation⁹⁶.

The evaluator shall, upon approval by the Embassy of the final report, insert the report into Sida's template for decentralized evaluations (see Annex C) and submit it to Nordic Morning (in pdf-format) for publication and release in the Sida publication database.

The order is placed by sending the approved report to Nordic Morning (sida@atta45.se), with a copy to the responsible Sida Programme Officer as well as Sida's Evaluation Unit (evaluation@sida.se). Write "Sida decentralized evaluations" in the email subject field. The following information must always be included in the order to Nordic Morning:

The name of the consulting company.

The full evaluation title.

The invoice reference "ZZ511402".

⁹⁶ Sida OECD/DAC (2014) Glossary of Key Terms in Evaluation and Results Based Management.

Type of allocation: "sakanslag".

Type of order: "digital publicering/publikationsdatabas.

Invitation to tender

The proposal should contain

- i. A detailed proposed evaluation methodology (including an indication of the types of data collection tools and approaches to be used) that responds to the information needs and that can be delivered within the timeline stated;
- ii. A detailed draft work plan guided by the project deliverable;
- iii. A financial proposal showing detailed breakdowns of both professional fees and reimbursable expenses in SEK;
- iv. A confirmation of the team that will carry out this evaluation, i.e. tailored CVs of the critical individual/s proposed (no more than three pages each as an annex), together with details of proposed team structure, including clear roles and responsibilities of essential team member/s. To qualify, the tenderers must propose a team leader that takes part in the evaluation by at least 30% of the total evaluation team time including core team members, specialists and all support functions, but excluding time for the quality assurance expert;
- v. A summary of relevant work performed within the last ten years, with contact information of clients who can provide references concerning the nature and quality of work performed (as an annex).

Basis of award

The Embassy will award a contract to the most economically advantageous tender based on the following criteria:

Requirements
Demonstrable experience in financial inclusion with particular focus on: digital financial services, saving groups, agricultural finance, policy and regulations, and gender access to finance. The evaluator should have a minimum of 10-year demonstrable experience in financial sector development programme evaluation.
Demonstrated experience of evaluating developmental projects. The evaluator should have with at least 5-year experience in leading evaluation of international development programmes in this field and should attach or provide links to at least three reports from previous evaluations.
A strong understanding of donor-funded interventions and programmes work, including project management processes.
Strong analytical, quantitative, and qualitative research and report writing skills.
Strong knowledge/experience of results-based management
Good knowledge of FCDO and Sida standards, planning and programming instruments can be considered as a plus.
Recent relevant experience Sub-Saharan Africa also required, with exposure to Eastern Africa particularly Mozambique, strongly preferred.
Good communication skills, with <i>excellent command of spoken and written English. Ability to speak Portuguese is highly recommended.</i>

Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of the firm and proposed team in this area	40%
Understanding/interpretation of the task set out in the TORs	15%
A methodology based on an appropriate understanding/ interpretation of the task set out in the TORs and quality of the proposal	30%
Fee basis and total costs	15%
Total	100%

Contact

Consultants should submit proposals to the Embassy by email – hanna.marsk@gov.se, before 15:00 (EAT) on 15 September 2021 under a subject line reading 'Invitation to tender: Final Evaluation of FSDMoç.'

Confirmation of interest, as well as any questions or comments regarding these terms of reference, should be directed by email to hanna.marsk@gov.se until deadline for submission (15 September).

Annex 2 – Methodology Overview

Approach

Our methodology and approach are in line with the Sida guidelines on evaluation and research and they have been adapted in their application to correspond to the Mozambican context as per the Terms of Reference. For instance, and as an example of user-focused approaches and the application of the African Approach to Evaluation, the evaluation team opened up its approach and methodology to include the client, the senior management of FSDMoç and four key stakeholders who have been asked what the most appropriate ways would be to collect the data required for the implementation stage. They have also been asked to comment on how to gather perceptions as to the performance and future relevance of FSDMoç in the Mozambican financial context. The evaluation is structured in three phases as per Sida guidelines and the standards and norms.

The evaluation integrated the OECD/DAC quality standards into its processes, including the requirement that all findings be evidence-based and triangulated. Specifically, the Evaluation Matrix is built on evidence collected through indicators that directly respond to the need for evidence in order to make assessments of the Judgment Criteria. Other examples of our application of these norms and standards include the fact that the team:

- 3 Installed a rigorous quality assessment process.
- 4 Were all objectively independent of the work carried out on the intervention and its key stakeholders.
- 5 Followed an ethics code based on best practices in the academic research community.
- 6 Engaged in a partnership approach.
- 7 Where feasible, continued to be engaged in a capacity development approach.
- 8 As a base, followed the intervention logic agreed to by the agencies involved and the funding partners.
- 9 Our recommendations are timely, based on conclusions which are themselves based on evidence, and practical.

Given the scope of this mandate and both the Level of Effort (LoE) and elapsed time allocated for it, and given the nature of the EQ provided in the ToR, the team decided that the most feasible approach to adopt to data gathering is one that is primarily dependent on secondary sources (mostly documents or existing data bases) but bordered (i.e. framed) by a validation process that included primary sources (ex. interviews) that were primarily used for hypothesis testing and triangulation.

The documentation scope specifically included the MEL and other management reporting that has already been done by FSDMoç itself or third parties (ex. any periodic reporting or mid-term reviews, financial audits, strategic plan revisions, monitoring reports, minutes of senior management meetings, etc.). The scope also included the many studies and context and content reports that have been carried out either by FSDMoç or on its behalf. Documentation also included operational documentation prepared by FSDMoç as part of its services and support to stakeholders or beneficiaries (ex. Strategic plans; periodic activity reports, research publications and funding applications and reports).

Primary source data gathering focused on the perceptions of key stakeholders primarily concerning FSDMoç's performance at the outcome level but also including perceptions of quality and relevance of products, relevance, influence, transparency and leveraging effects (ex. from donors, FSDMoç personnel, financial institution managers, others engaged in the financial market sector). Stakeholders were asked to provide their opinion on the future positioning of FSDMoç and the role it should play.

Soon in the data gathering phase, the team realized that it would be difficult if not impossible to gather perceptions of behavior changes due to financial deepening from individuals and households. Firstly, there had not been enough time for these targets to change their behavior, even if the team believed that the analysis of use statistics from service providers should provide a proxy of the "access" that is being exploited. Second, perceptions of behavior change would also be difficult because the most recent research on financial inclusion clearly indicates that behavior change will not happen on the bases of a single service or application being made available or accessible; rather, behavior changes occur after a specific user has been able to integrate a number of applications (ex. bank accounts, having a single ID, payments application, insurance and microfinance). At that point, the user begins to use the combination of apps to increase well-being⁹⁷.

It is important to note that the team had a very small-time window to do primary level data collection of effects so the interviews sought to identify documented examples, cases, anecdotes, histories and other perceptions of the changes that have taken place since 2014, whether they can be attributed to FSDMoç or not. The tasks of identifying the contribution of FSDMoç to those changes took place via document triangulation or by interviews with senior level stakeholders, including FSDMoç. There are no counterfactual analyses being proposed here for impact analysis; our assessment of "impact" was limited to extrapolation from lower-level outcomes, as identified through the indicators. In fact, since our preliminary analysis confirms the

97 For a discussion of this phenomenon, see, for example, "Lyons,A., et al., "Impacts of Financial and digital Inclusion on Poverty in South Asia and Sub-Saharan Africa", SSRN Electronic Journal, August 2020.

risk assessment located in our proposal that states that there was not going to be a great deal of information on effects in the FSDMoç's data bases, what we need to do is to extrapolate from the analysis of individual interventions in order to propose the likelihood of effects in the future.

Our ontological perspective is positivism², and our approach proposed that cross-cutting policies would be treated BOTH as a separate management concern (and therefore as a separate EQ -see EQ 5) AND mainstreamed into all other Judgment Criteria (this has largely been done since most indicators contain analyses of gender and other Cross-cutting Issues (CCI). In this way, for example, sustainability would not only be treated from the perspective of the long-term viability of new policies, regulations, instruments or mechanisms but also from the perspective of environmental husbandry or gender balance⁹⁸.

We adhered to the key precepts of the African Approach to Evaluation as much as possible given the tight timelines and restricted resource levels. For reference, the key principles of the approach are⁹⁹:

Western evaluation approaches applied in Africa may lack validity and may propagate neo-imperialism and the 'colonization of the mind.'

Made in Africa Evaluation (MAE) is a promising approach to address these problems, but the concept requires a clearer and more concise definition.

According to our study conducted with a handful of evaluation thought leaders in Africa, MAE is based on the standards of the African Evaluation Association (AfrEA), using localized methods or approaches with the aim of aligning the evaluation to the lifestyle and needs of African people while also promoting African values.

As a support to the paragraphs noted above, we bring to the attention of the reader the facts that the team was well gender balanced and very knowledgeable about Mozambican contexts and its business/communications cultures. We attempted to ensure that the interventions we examined and the beneficiaries we interviewed constituted a representative sample (in terms of gender, youth and people with disabilities, all equally disadvantaged in access to economic resources and decision making at all levels), even though our preliminary analysis indicates that the data gathered by the MEL system in FSDMoç had only recently begun to gather data on a disaggregated manner in terms of gender and vulnerable groups. We therefore assessed the extent to which the FSDMoç's processes and policies included gender equity and inclusion of vulnerable groups as a base for being recipients of support. At the same time, we assessed the extent to which they are designed to empower women and marginalized people so that they may lead the efforts for greater autonomy as a

⁹⁸ Providing that the data exists to cover these issues

⁹⁹ eVALUation Matters Third Quarter 2019

strategy for poverty reduction at the national level. Our preliminary analysis indicated that there would be problems in gathering relevant data based on these concepts, and we were right. Refer to EQ 5.

Methodology

Overall, the core of the methodology that NCG presented in its proposal and Inception Report remains intact, except for the interviews in the field with individuals, households and SMSE, because it was decided, after field investigation and interviewing participants and FSDMoç officials, that the information on effects that would be sought there would not be forthcoming. As discussed in the overall approach above, the decision to interview or not, where and whom, required further consideration because of the difficulty of measuring “effects” that can only be identified and qualified at the ultimate beneficiary level. These effects have only begun to materialize, and they are inconclusive in terms of benefit, causality and magnitude.

Once the Inception Report was approved, the team put into place the next phases of the evaluation, beginning with the data collection, or Implementation Phase.

Implementation Phase

Once the team received approval of the IR, data gathering and analysis activities proceed to take place more or less in parallel, including further document research and data gathering in the field based on research to identify who could substantially inform the evaluation on the type of respondents that could speak to the effects of FSDMoç performance so far.

The implementation phase comprised person-to-person interviews, e-mail exchanges, group videoconferencing, and document gathering. The selection of which beneficiaries to interview was made on the basis of the list of partners and stakeholders that have received one form of support or the other from FSDMoç. Broadly speaking, the team generated samples of interventions based on the three-tier approach used by FSDMoç in the categorization of its partners and interventions, (i.e., macro, meso and micro). The people we interviewed are listed in Annex 4.

The sample reflects two important aspects for this evaluation:

The emphasis is on the generation or the likelihood of generation of effects. This is done through the selection of a broad base at the micro level.

The combination of macro, meso and micro level interventions showed the strength of the intervention logic used by FSDMoç.

The evaluation team was also in touch with organizations that are not constituencies of the FSDMoç in order to gather complementary perspectives on the EQ and to examine, even briefly, the results of other strategies for promoting the deepening of financial access and appropriateness in the Country. In this line of thinking, the team identified and interviewed international researchers in the financial inclusion domain, Representatives of Sida FCDO and the World Bank. It also interviewed representatives of DAI. A number of exchanges were held with FSDMoç officials,

financial mechanism and systems managers such as the Bolsa de Valores and others in order to validate the tentative conclusions that will arise as a result of our evidence gathering. Some organizations we wanted to interview did not respond to our requests for interviews. One of the key gaps is that the Central Bank did not respond to our requests. All interviews were written up in summary form and the report was sent to all team members.

It should be recognized that the evaluation team has a very short period of time to conduct this evaluation and did not interview a large number of people because it based its need to interview on the concept of “rich data”. Fortunately (in research terms) the documentation was rather clear and plentiful, and all interviewees had the same types of answers to our questions concerning the performance of FSDMoç.

Synthesis Phase

After field work, the team held an internal consolidation and synthesis session via video and began to write the draft final report. It was structured on the basis of the answers to the EQs, with referenced evidence for each supported finding.

Conclusions are largely drawn from the answers to the EQ, and recommendations reflect the conclusions. The Team also included conclusions at a meta level, so that context and findings reflect a holistic approach. Recommendations are divided into two sections: strategic (i.e., recommendations that refer to the achievement of outcomes, generally using relevance, coherence, effectiveness, and sustainability as the base) and operational (i.e., those that refer to how the FSDMoç could function, generally using sustainability and efficiency). A specific recommendation relates to whether the team would support a further phase of support and if so, under what conditions.

The TL distributed the responsibility for the leadership required for the research and analysis dealing with each EQ among team members. The team member with the most relevant experience on any specific question agreed to lead the research for the EQ that dealt with that area. The evaluation was carried out in a matrix management manner, with the EQ leader requesting, from each other team member, that information be gathered on any specific topic he or she required. Initial conclusions and recommendations were prepared by the TL and shared with the core team members for validation, addition or and clarification.

The Draft Final Report was sent to the NCG Quality Assurer before sending off to the client. A limited amount of time had been set aside for the client (refer to the ToR) to prepare comments during which a videoconference with key stakeholders was held to comment on the Draft Final Report. The NCG team then reviewed the comments and adjusted the report draft. A final version was sent to the client through the NCG Contract Manager. As required, the Final Report and all deliverables are in English, and the ultimate version of the Final Report was sent to a proof-reader.

Annex 3 – Bibliography

The following bibliography includes a selection of the main and contextual documents used during the evaluation period. It should not be seen as an exhaustive representation of documents consulted.

Mid-Term Review of Financial Sector Deepening Moçambique, ARORA Associates Limited, 2017

Sida Financial Sector Deepening Mozambique, appraisal of intervention, final, March 2016

FSDMoç Annual Report 2019/20, April 2020

Financial Sector Deepening Mozambique ANNUAL REPORT NO.1, June 2020-June 2021

FSDMoç, Monitoring and evaluation (M&E) handbook, 2015

FSDMoç Funds Management Manual, October 2014

“2019-2020 Value for Money Assessment report - Reporting period: April 2019-March 2020”, FSDMoç, 2020

FSDMoç, Access to Finance for Women Market System Analysis and Vision, 2015

FSDMoç, Gender and Social Inclusion (GESI) Strategy, June 2019

DFID Logical Framework, 2014

DFID Annual Review 1, review date May 2014

DFID Annual Review 2, review date May 2015

DFID Annual Review 3, review date May 2017

DFID Annual Review 4, review date May 2018

DFID Annual Review 5, review date May 2019

Case Study on Lessons Learned and Achievements of FSDMoç Program on DFS, 2020

- The Challenges of Access to Financial Services in the Agricultural Sector in Mozambique, Mutondo, Villisa Etal. Ministry of Agriculture and Food Security, Dec 2019
- “Benchmarking Financial Development.” Beck, Thorsten, Erik H. B. Feyen, Alain Ize, and Florencia Moizeszowicz. 2008. Policy Research Working Paper 4638, World Bank, Washington, DC.
- “Reaching Out: Access to and Use of Banking Services across Countries.” Beck, Thorsten, Asli Demirgüç-Kunt, and María Soledad Martínez Pería. 2007. *Journal of Financial Economics* 85 (1)
- “From Physical to Human Capital Accumulation: Inequality in the Process of Development.” Galor, Oded, and Omer Moav. 2004.. *Review of Economic Studies* 71 (4)
- “Funding Growth in BankBased and Market-Based Financial Systems: Evidence from Firm Level Data.”1Demirgüç-Kunt, Asli, and Vojislav Maksimovic. 2002. *Journal of Financial Economics* 65 (3)
- “Roadmap for the development of a Broad and Sustainable Micro-Insurance Ecosystem in Mozambique” Robsmie, 2018”; Landscape of inclusive insurance in Mozambique, 2021”
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- Mozambique-National-Financial-Inclusion-Strategy-for-2016-2022-Mid-Term-Review. WB
- The operational guide for the making markets work for the poor (M4P) approach. SDC. 2015.
- Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS). WB. 2018
- Consumer Survey Highlights, Mozambique. Finscope, 2009
- Consumer Survey Highlights, Mozambique. Finscope, 2012
- Consumer Survey Highlights, Mozambique. Finscope, 2014
- Consumer Survey Highlights, Mozambique. Finscope, 2019
- National Financial Inclusion Strategy 2016-2022, BOM.

- FCDO, Project Completion Review – post April 2018, Review date June 2020
- FSDMoc Achievements 2014-2020. Power Point.
- FSDMoc Strategic Plan 2020-2025
- Advancing Financial Inclusion for Smallholder Households in Mozambique.
FSDMoc, 2017
- Analysis of Rural Financial Inclusion, FSDMoc 2017
- Reaching the last mile through digital financial inclusion services. FSDMoc, 2020
- EVALUATION OF BANKING AND NON-BANKING AGENT NETWORKS
MAPUTO CITY AND
MAPUTO PROVINCE. FSDMOC, June 2020
- Case study on Alternative SME Finance and Informal Finance, 2020
- Financial agency in Mozambique Impacts of COVID study report August 2020,
FSDMoc &
Technoserve
- Mozambique Mobile acces and usage study, FSDMoc, 2017.
- The Ecosystem of Digital Financial Services in Mozambique, FSDMoc, 2017.
- Youth Economic Opportunity Ecosystem Analysis. FSDMoc, 2016
- Capital Markets Overview Analysis of the Mozambican Financial Markets. FSDMoc,
2015

Annex 4 – People met

Evaluation Interviews

Date	Institution	Subject or Intervention (as and if applicable)	Name	Position
2021/10/05	Embassy of Sweden	FSDMoç Financier	Hanna Marsk	First Secretary, Inclusive Economic Development
2021/10/15	FSDMoç	FSDMoç Financial Inclusion Project	Esselina Macome	CEO
2021/10/13	BCI (Commercial Investment Bank)	Active participant in Inclusive Finance discussions + Rural Banking Project - A Multifaceted Approach to Providing Banking Services and Access to Finance to Rural Farmers	Rogério Lam	Director
2021/10/15	BVM (Mozambique Stock Exchange)	Institutional development, promoting more listings product development and capacity building	Sailmo Valá	President
2021/10/19	FCDO	FSDMoç Financier	Vânia Dava	Responsible for FSDMo at FCDO
2021/10/25	FCDO	FSDMoç Financier	Sarah Love	Deputy Development Director
2021/10/26	EPSILON Energia Solar	Use Case for Digital Payments- Solar Energy PAYGO Model	Paulo Raposeiro	CEO
2021/10/28	DAI	FSDMoç Project Management	James Naughton	Project Manager
2021/10/29	DAI	FSDMoç Project Management	Anne Brady	Project Manager
2021/10/20	Ophavela, Nampula	Phase 2 of the Savings Groups Project	Anibal de Oliveira	savings groups
		Sustainable Formation of Savings Groups- phase II (Refinement of the technological solution, data base transferred to CIUEM)	Alcido Henrique Faria	
2021/10/29	Fintech (Association)	Fintech Innovation / Sandbox participants	João Gaspar	President
			José Gudo	Vice Pdte, pelouro projects, Studies, Investments and regulation
2021/11/03	JFS, ICC & Letshego	Provision of Financial Services to Smallholders in Niassa Province	Francisco Ferreira dos Santos	CEO
2021/11/03	Hollard Mozambique	Geographic Information Systems for Inclusive Agricultural Insurance - Phase I	Israel Muchena	Director - Agriculture Insurance Division
			Cláudia Mota	Business Development manager
2021/11/03	FSDMoç	FSDMoç Financial Inclusion Project	Anabela Mabota	Monitoring and Evaluation Manager
			Vânia Matola	Gender Team
2021/11/04	FSDMoç	FSDMoç Financial Inclusion Project	Moisés Inguane	COO
2021/11/08	Banco Letshego, SA	Comprehensive Agency Banking for Rural Sites	Carlos Nhamahango	Chief Executive Officer
2021/11/08	BancABC	Agency Banking Project	Tamara Kamkombe	Gestora de Corporate e Parcerias Estratégicas
2021/11/18	Negotiable Benefits Consultancy (NBC)	Micro Insurance & Micro Pensions	Denise Filipe	Manager

Annex 5 – Presentation given to SIDA

Final Evaluation of Financial Sector Deepening Mozambique

Briefing to Sida following analysis of draft
Final Report . November 17, 2021

1

Structure of Presentation

- | | |
|---------------------------------------|---------------------------|
| 1. Characteristics of the evaluation: | 6. Answer to EQ 3: Robert |
| 2. Purpose and objectives: | 7. Answer to EQ 4: Alicia |
| 3. Evaluation matrix Analysis: | 8. Answer to EQ 5: Hans |
| 4. Answer to EQ 1: Jacob | 9. Answer to EQ 6: Robert |
| 5. Answer to EQ 2: Sophie | 10. Conclusions: Robert |
| | 11. Recommendations: |
| | Robert |
| | 12. Discussion |

2. Purpose and objectives of evaluation

Purpose: to “determine whether the obtained results (achieved by FSDMoç) motivate a continued commitment in the current context.”

The **objectives** :

- ❖ “Evaluate the Swedish support to FSDMoç in Mozambique (2016-2020) in relation to the objectives set,
- ❖ Formulate recommendations as an input to upcoming discussions concerning the preparation of a new phase of the intervention”

3. Evaluation Matrix

- Built on deductive research logic, use of hypotheses;
- Refer to all of revised OECD-DAC evaluation criteria for definitions of relevance, effectiveness, etc.
 - **EQ** are management concerns. In this case (performance, effects) grouped to the right of ToC. Represent ex-post Sida questions in ToR and ex ante feasibility for future actions
 - **JCs** are the **way** of judging, and **not what** is judged; they specify the type of successes that need to be in place order to answer the EQ.
 - **Indicators** specify the nature of the data needed to assess a JC.
- Six EQ in this research mandate.
- Report is based on EQ.

4. Answer to EQ 1

	A little	Succeeded	Exceeded
Evaluation Question 1: To what extent has the intervention corresponded to the priority needs of intended beneficiaries?			
Judgment Criteria			
1.1. The intervention was aligned to key Government of Mozambique's strategies and plans for the development of the financial sector.			
1.2: The FSDMoc's constituencies (partners) agree that FSDMoc is a key driver for improved financial services and fill a gap in the market.			
1.3: The interventions carried out by the programme been relevant for the beneficiaries?			
1.4: FSDMoc has put mechanisms in place to review and update its strategies, implementation modality and assumptions in the light of evolving contexts and lessons learned.			
1.5: FSDMoc has ensured that its efforts are aligned with and thus "fit" well with those of other actors.			

5. Answer to EQ 2

	A little	Succeeded	Exceeded
Evaluation Question 2: To what extent has the intervention achieved, or is likely to achieve, expected (or unexpected) high-level results and what are the strategic effects observed?			
Judgment Criteria			
2.1 FSDMoc has achieved, or is expected to achieve, its expected results, including any differential results across target or stakeholder groups.			
2.2 The Program Theory of Change depicts a comprehensive and adequate conjunction of results-chain logic, hypotheses and assumptions that will likely result in the outcomes stated.			
2.3 The risks of aversion to change and innovation were correctly evaluated, given the Mozambican financial system characteristics.			
2.4 The MEL system used in the intervention delivered robust and useful information that was used to assess progress towards outcomes, make operational management adjustments and contribute to learning?			

6. Answer to EQ 3

	A little	Succeeded	Exceeded
Evaluation Question 3: To what extent has the intervention delivered its expected results via a resource-effective manner?			
Judgment Criteria			
3.1 The financial, knowledge and human resources available to the FSDMoç were applied strategically and based on evidence to the priority thrusts indicated in the ToC; the program thus demonstrated value for money.			
3.2: The expected results were delivered in a timely manner with due recognition of the LOE required to produce the results.			
3.3: Mechanisms are in place and working to avoid duplication with other financial deepening efforts that FSDMoç did not undertake			
3.4: Mechanisms are in place and working to coordinate efforts with other stakeholders so that efficiency gains can be realized			
3.5: The FSDMoç is managed on a results chain (Results-based management) basis			
3.6: FSDMoç has supported actions that have a high probability of meeting fundamental objectives of the Country and of FSDMoç that involve system changes			
3.7: Analysis of risks shows that FSDMoç only accepts to undertake interventions where risks are controlled.			

7. Answer to EQ 4

	A little	Succeeded	Exceeded
Evaluation Question 4: Are the results achieved by the intervention (intended or not) likely to be sustainable if FSDMoç does not secure ongoing external funding?			
Judgment Criteria			
4.1 The net benefits of the intervention are known and can be qualified or quantified.			
4.2 The FSDMoç's results are likely to exist without further Swedish financial support in the mid to long term.			

8. Answer to EQ 5

X	A little	Succeeded	Exceeded
Evaluation Question 5: To what extent has FSDMoc mainstreamed gender equality and empowerment, disability equality, the most vulnerable, and environment and climate change in its planning and execution of its relevant plans?			
Judgment Criteria			
5.1: The FSDMoc has mainstreamed key cross-cutting components in the planning, design, and implementation of its Strategic Plans and Workplans.			
5.2: The FSDMoc promoted cross-cutting issues of interest to its implementing partners in project planning and implementation.			
5.3: The FSDMoc included the cross-cutting issues of interest to its funding partners in its strategic plans, workplans and projects.			

9. Answer to EQ 6

	A little	Succeeded	Exceeded
Evaluation Question 6: What are the most important priority contextual and business environment changes required in Mozambique to enable the financial system to better serve the development-related needs of its population and financial institutions?			
Judgment Criteria			
6.1 A strategy and a execution plan to identify how the inclusive financial strategy of the Country would be achieved is in place.			
6.2 The major constraints that affect the achievement of more appropriate and affordable financial systems have been identified along with a strategy to eliminate them.			
6.3 The role of an organization such as the FSDMoc in bringing about the improved financial deepening is clearly defined and there is consensus of the role by key stakeholders.			

10. Main Conclusions

1. Effects are relevant, and Country needs an FSDM to put into place
2. Effects are longer term and require sets of vectors
3. FSDM effective in facilitating and generating enabling conditions
4. FSDM is particularly effective as link into GoM agencies and regulators, knowledge and evidence management, risk sharing
5. Financial inclusion requires central coordination to speed up
6. Good VfM, efficiency and economy
7. Reducing regulatory constraints not fast enough
8. FSDM's business model requires external funding

11. Main Recommendations

1. Sida should continue funding. Ties to Sweden poverty reduction and women empowerment strategies
2. Central Bank should better manage via coordination and program approach
3. Country needs to develop and use a plan, not only a strategy. Realistic, timed, resourced, assigned to organisations.
4. Better implementation ties to poverty and rural development strategies and plans.

Team is still considering whether to recommend that FSDMoc have a role to play in lending to women, youth, directly and through banks...

Discussion

THANK YOU



Robert LeBlanc
Team Leader



Alicia Calane
Team expert



Sophie Teyssier
Team Expert



Hans Erskog
Team Expert



Jacob Faarbaek
Team Expert

Annex 6 – Evaluation Matrix

EQ 1

Evaluation Question 1: To what extent has the intervention corresponded to the priority needs of intended beneficiaries?			
KEY EVALUATION CRITERIA REPRESENTED: Relevance and Coherence			
Judgment Criteria	Indicators	Source	Main Research tools used
1.1 The intervention was aligned to key Government of Mozambique's strategies and plans for the development of the financial sector.	1.1.1 Comparison between national strategies and FSDMoç's.	Strategic docs GoM, FSDMoç, DFID, Sida	Documentation analysis
	1.1.2 Collaboration between FSDMoç and GoM institutions reflects national strategies and plans.	Agreements between GoM institutions and FSDMoç and Strategic docs	Documentation analysis
	1.1.3 FSDMoç is seen as a partner by key GoM institutions.	Annual plans of FSDMoç, GoM docs, press releases.	Documentation analysis
1.2 The FSDMoç's constituencies (partners) agree that FSDMoç is a key driver for improved financial services and fill a gap in the market.	1.2.1 Positive response from partners on support provided by FSDMoç.	Partner documents, MTR's and evaluations.	Documentation analysis and validation interviews
	1.2.2 Document review indicates need for FSDMoç	Partner documents, MTR's and evaluations.	Documentation analysis and validation interviews
1.3 The interventions carried out by the program been relevant for the beneficiaries?	1.3.1 Consensus on the benefits of financial inclusion	Research documents, strategy documents, annual reports	interviews and documentation analysis
	1.3.2 Reliance on evidence and political economy analyses	Research documents, strategic documents, annual reports	interviews and documentation analysis
1.4 FSDMoç has put mechanisms in place to review and update its strategies, implementation	1.4.1 Changes made by senior management	M&E guideline and handbook, strategy documents, annual reports.	Documentation analysis
	1.4.2 Mechanism in documented and in place		

modality and assumptions in the light of evolving contexts and lessons learned.	1.4.3 Existence of a LL review process within FSDMoç.		
1.5 FSDMoç has ensured that its efforts are aligned with and thus “fit” well with those of other actors.	1.5.1 Documented specific and continuous collaboration with other actors	Strategy documents, annual reports.	Documentation analysis.

EQ 2

Evaluation Question 2: To what extent has the intervention achieved, or is likely to achieve, expected (or unexpected) high-level results and what are the strategic effects observed?

KEY EVALUATION CRITERIA REPRESENTED: Impact and Effectiveness

Judgment Criteria	Indicators	Source	Main Research tools used
2.1 FSDMoç has achieved, or is expected to achieve, its expected results, including any differential results across target or stakeholder groups.	2.1.1 # new clients per Financial institution	- Logframe - MEL data - Annual reports - supported financial institutions (especially Mpesa, BU, BancABC)	interviews and documentation analysis
	2.1.2 # new clients per financial product (savings, loans, money transfer, payment, other)	Logframe - MEL data - Annual reports - supported financial institutions (especially M-Pesa, BU, BancABC..)	interviews and documentation analysis
2.2 The Program Theory of Change depicts a comprehensive and adequate conjunction of results-chain logic, hypotheses and assumptions that will likely result in the outcomes stated.	2.2.1 # of changes in legislation and policies due to FSD	- Financial sector legislation and policies - FSD reports Data from - BoM legal department, - BoM Financial inclusion committee, - BoM sand box group	interviews and documentation analysis
2.3 The MEL system used in the intervention delivered robust and useful information that was used to assess progress towards outcomes, make operational management adjustments and contribute to learning?	2.3.1 Structure and content of MEL reports are perceived by Management as being useful of decision-making	- Project documents, - Project ME manual - ME reports - Mid term evaluation report	interviews and documentation analysis
	2.3.2 Instances where MEL reporting are outcome based	Project documents, - Project ME manual - ME reports	interviews and documentation analysis

		- Mid term evaluation report	
	2.3.3 Partners needed to become outcome-specific because MEL needed the data expressed as such	Project documents, - Project ME manual - ME reports - Mid term evaluation report	interviews and documentation analysis
2.4 The risks of aversion to change and innovation were correctly evaluated, given the Mozambican financial system characteristics.	2.4.1 Ex- post analysis done on successful and failure projects	Project documents, - Project ME manual - ME reports - Mid term evaluation report	interviews and documentation analysis

EQ3

Evaluation Question 3: To what extent has the intervention delivered its expected results via a resource-effective manner?

KEY EVALUATION CRITERIA REPRESENTED: Efficiency

Judgment Criteria	Indicators	Source	Main Research tools used
3.1 The financial, knowledge and human resources available to the FSDMoç were applied strategically and based on evidence to the priority thrusts indicated in the ToC; the program demonstrated value for money.	3.1.1 Strategic plan that justifies HR required	FSDMoç	Document analysis and interview validation within FSDMoç
	3.1.2 Compliance-type reports indicate efficiency or Value for Money	FSDMoç	Document analysis
	3.1.3 Annual reports concerning FSDMoç indicate strategic planning took place	FSDMoç	Document analysis
	3.1.4 FSDM uses analysis from Internal systems to allocate resources and monitor their use	FSDMoç	Document analysis and interview validation within FSDMoç
	3.1.5 All partners have the resources, routines, and competencies to manage their interventions	FSDMoç	Document analysis and interview validation within FSDMoç
	3.1.6 Resources are consumed to generate deliverables when needed.	FSDMoç	Document analysis and interview validation within FSDMoç
3.2 The expected results were delivered in a timely manner with due	3.2.1 Intervention reports indicate timeliness and LOE analysis	Various intervention reports	Documentation research and interviews with

recognition of the LOE required to produce the results.		including “one-pagers’	partners Various intervention reports including “one-pagers’
	3.2.2 Project proposal appraisal analysis of candidate interventions by FSDMoç indicate timeliness and LOE analysis	FSDMoç	Document analysis
3.3 Mechanisms are in place and working to avoid duplication with other financial deepening efforts that FSDMoç did not undertake	3.3.1 Analysis and reports of Central Bank indicate that FSDMoç is part of network that tries to manage entirety of financial inclusion issue	FSDMoç and BoM	Various intervention reports including “one-pagers’
3.4 Mechanisms are in place and working to coordinate efforts with other stakeholders so that efficiency gains can be realized	3.4.1 Description of coordination mechanisms where other donors and stakeholders are involved	FSDMoç. Other donors	Document analysis
	3.4.2 Implementation reports of national inclusion strategy indicate that mechanisms for coordination are in place and FSDMoç is part of them	FSDMoç and BoM	Documentary analysis and interviews to validate
3.5 The FSDMoç is managed on a results chain (Results-based management) basis.	3.5.1 Annual reporting is based on RBM	Intervention reports of FSDMoç indicate timeliness and LOE analysis	Document analysis
	3.5.2 Minutes of FSDMoç oversight meetings show decision-making based on RBM	Appraisal analysis of proposed interventions by FSDMoç indicate timeliness and LOE analysis	Document analysis
	3.5.3 Quarterly (or other) financial reports are RBM-based	Various progress reports	Various intervention reports including “one-pagers’
	3.5.4 The Log Frame and Theory of Change are built on a results-chain basis and are monitored on that basis	FSDMoç	Various intervention reports including “one-pagers’ Central Bank

	3.5.5 The FSDMoç strategic documents refer to RBM	FSDMoç	Document analysis
3.6 FSDMoç has supported actions that have a high probability of meeting fundamental objectives of the Country and of FSDMoç that involve system changes	3.6.1 Analysis of probability of generating systems-level effects is done systematically	FSDMoç partner interventions	Document analysis and interviews for validation
3.7 Analysis of risks shows that FSDMoç only accepts to undertake interventions where risks are controlled	3.7.1 Internal approval docs analyse risks of all sorts and indicate mitigation plan	FSDMoç	Document analysis

EQ4

Evaluation Question 4: Are the results achieved by the intervention (intended or not) likely to be sustainable if FSDMoç does not secure ongoing external funding?

KEY EVALUATION CRITERIA REPRESENTED: Sustainability

Judgment Criteria	Indicators	Source	Main Research tools used
4.1 The net benefits of the intervention are known and can be qualified or quantified,	4.1.1 Number and type of interventions undertaken	FSDMoç Annual Work Plans, FSDMoç implementation Reports, Initiatives/ intervention reports, Evaluation Reports, Bank of Moçambique reports	Document review Interviews with key stakeholders according to FSDMoç activity plans
	4.1.2 Type of changes/improvements registered as result of each intervention (here we will list all interventions under pillar 1, 2 and 3)	FSDMoç and others Reports and studies	Document review Interviews
	4.1.3 Policies and strategies in the financial developed with the intervention of FSDMoç in use	Existing policies, strategies	Document review Interviews
4.2 The FSDMoç's results are likely to exist without further Swedish financial	4.2.1 Existing FSDMoç operation needs and resources	FSDMoç operation costs	Document review Interviews with FSDMoç
	4.2.2 Additional committed amounts from	Letters of commitment	Document review

support in the mid to long term	different financial sources for how long		Interviews with FSDMoç and already identified funders
	4.2.3 Existing business plan/strategy for resource mobilisation and perspectives	FSDMoç strategic plan/ business plan	Document review Interviews with FSDMoç

EQ5

Evaluation Question 5: To what extent has FSDMoç mainstreamed gender equality and empowerment, disability equality, the most vulnerable, and environment and climate change in its planning and execution of its relevant plans?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Effectiveness

Judgment Criteria	Indicators	Source	Main Research tools used
5.1 The FSDMoç has mainstreamed key cross-cutting components in the planning, design, and implementation of its Strategic Plans and Workplans.	5.1.1 CC Components are identified and mainstreamed	Annual Work Plans FSDMoç GESI Strategy	Document research
	5.1.2 Effects of CC Components reported on in a means compatible with RBM and communicated	FSDMoç Annual Reports	Interview with FSDMoç
	5.1.3 CC Components positively reviewed in terms of mainstreaming and effects it has generated and recommendations acted upon Mid-Term Review	MT Review	Document analysis and validation interviews
	5.1.4 FSDMoç reports on CCI in a disaggregated manner	FSDMoç reports of all types	Document analysis and validation interviews
5.2 The FSDMoç promoted cross-cutting issues of interest to its implementing partners in project planning and implementation.	5.2.1 CC Components positively reviewed, and recommendations acted upon Mid-Term Review	FSDMoç Annual reports, VfM Assessment. GESI Strategy	Document research
	5.2.2 CC Components positively reviewed, and recommendations acted upon Mid-Term Review	FSDMoç report on the MTR, especially in its Annual Plans	Interviews with implementation partners
5.3 The FSDMoç included the cross-cutting issues of interest to its funding partners in its	5.3.1 CCI used by FSDMoç are defined in essentially the same way as its funding partners	Comparison of FSDMoç and donor policy statements, GESI Strategy	Documents

Strategic Plans and projects.	5.3.2 FSDMoç reports to funding partners reflect its commitments to CCI	FSDMoç reports to donors and to GoM	Documents and validation interviews
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EQ6

Evaluation Question 6: Are there mechanisms in place to deal with the most important priority contextual and business environment changes required in Mozambique to enable the financial system to better serve the development-related needs of its population and financial institutions?

KEY EVALUATION CRITERIA REPRESENTED: Relevance and Sustainability.

Judgment Criteria	Indicators	Source	Main Research tools used
6.1 A strategy and an execution plan to identify how the inclusive financial strategy of the Country would be achieved is in place.	6.1.1 A national strategic plan and an operational plan are in place and is being implemented	Analyses by Central Bank (B of M)	Interviews and documentation
	6.1.2 Analysis of the role of FSDMoç in the future is spelt out in strategic plans and ToC logics	Analyses by Central Bank (B of M) Evaluation	Interviews and documentation
6.2 The major constraints that affect the achievement of more appropriate and affordable financial systems have been identified along with a strategy to eliminate them.	6.2.1 Study or document that identifies constraints and containment strategies is in place and used by GoM and major donors	Analyses by Central Bank (B of M) and FSDMoç for its overall strategic plan and workplan	Interviews and documentation
	6.2.2 FSDMoç plans are geared at managing constraints	Analyses by Central Bank (B of M) and FSDMoç for its overall strategic plan and workplan	Interviews and documentation
6.3 The role of an organization such as the FSDMoç in bringing about the improved financial deepening is clearly defined and there is consensus of the role by key stakeholders.	6.3.1 Key donors (KfW, Sida, etc.) and GoM key institutions (B d M and MEF) agree as to the role and priorities of FSDMoç	Key donors and GoM institutions.	Interviews and documentation

Annex 7 – FSDMoç interventions

Disbursements by the Market Development Fund, 2015 - 31 March 2020

N°	One Pager	Partners	Project name	Year		Amount GBP	ToC Level	Thematic Area	Type of Activity
				Start	End				
			IC Approved Partnerships Under Implementation						
1		Aga Khan Foundation	SFSG-Sustainable Formation of Savings Group	jan.16	jun.18	195.193,10		Savings Group / Fintech	Pilot or field implementation
2		AMT + MS	E Transport Assessment in Mozambique	feb.20		207.843,50		Fintech application	study
3		AYANI	Phase II - AYANI (Saving group member deep dive)	sep.16	jan.17	23.685,43		Savings Group	study
4	OP 1	BancABC	Agency Banking Project	dec.16	dec.18	448.309,08		Banking expansion / Agent	Pilot or field implementation
5	OP 2	Banco Unico	SME Finance and Business Development	jul.16	jun.18	370.409,60		Financial education	Pilot or field implementation
6		Bank BIG	SME Finance and Market Development	okt.17	jun.18	200.514,40		Alternative finance / access to K	study
7	OP 3	BCI	Rural Banking Project	dec.16	dec.18	225.711,50		Financial education	Pilot or field implementation

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8	OP 19	BoM	Sandbox Regulatory Incubator, 1st cohort	jul.17	jun.18	104.739,38		digital finance development	Pilot or field implementation
9		BoM	Fintech Regulatory Sandbox Incubator -Central Bank	apr.18	mar.19	34.605,80		Phase 2 of above ???	phase 2 ???
10		BoM + MWO + Bks	Interoperability (bank to wallet; wallet to wallet)	feb.17	dec.17	71.029,96		DF/Mobile money expansion	Stdy? Or funds for dialogue
11	OP 5	BVM	Support for Institutional Development	jul.16	aug.17	74.636,01		Alternative finance / access to K	Pilot or field implementation
12	OP 5	BVM	Support for Institutional Development	feb.20		17.085,59		Alternative finance / access to K	Pilot or field implementation
13		CARE	SFSG-Sustainable Formation of Savings Group	feb.16	apr.18	248.066,34		Savings Group / Fintech	Pilot or field implementation
31	OP 17	Ophavela	Sustainable Formation of Savings Groups- phase II	apr.18	mar.19	128.865,10		Phase 2 of above	Phase 2 of above
14		CENFRI	Phase I - CENFRI	jun.15	aug.15	31.223,69			Study
15		Deloitte	SME Private Equity Review (Delloite)	mar.16	mar.19	49.587,39		Alternative finance / access to K	Study
16		Epsilon	Use Case for Digital Payments- Solar Energy PAYGO Model	okt.17	okt.18	72.904,10		Fintech application	Pilot or field implementation
17		FHI 360	FHI 360-Mobile Access Usage Survey	sep.15	aug.16	69.924,71		DF/Mobile money expansion	Study
18		Fintech	Fintech Innovation Fund	feb.17	dec.17	84.451,07		digital finance development	Pilot or field implementation
19	OP 22	Hollard ?	Geo-mapping - MIX Phase I			46.350,14		DF / GIS	Pilot or field implementation
20	OP 23	Hollard ?	GIS Data for Financial Inclusion - phase III			33.150,95		DF / GIS	Pilot or field implementation
21		ICC	Phase II - ICC (Deep dive on FinScope and roundtables on women and youth access to financial services)	dec.15	aug.16	27.721,53		Financial inclusion overview	Study

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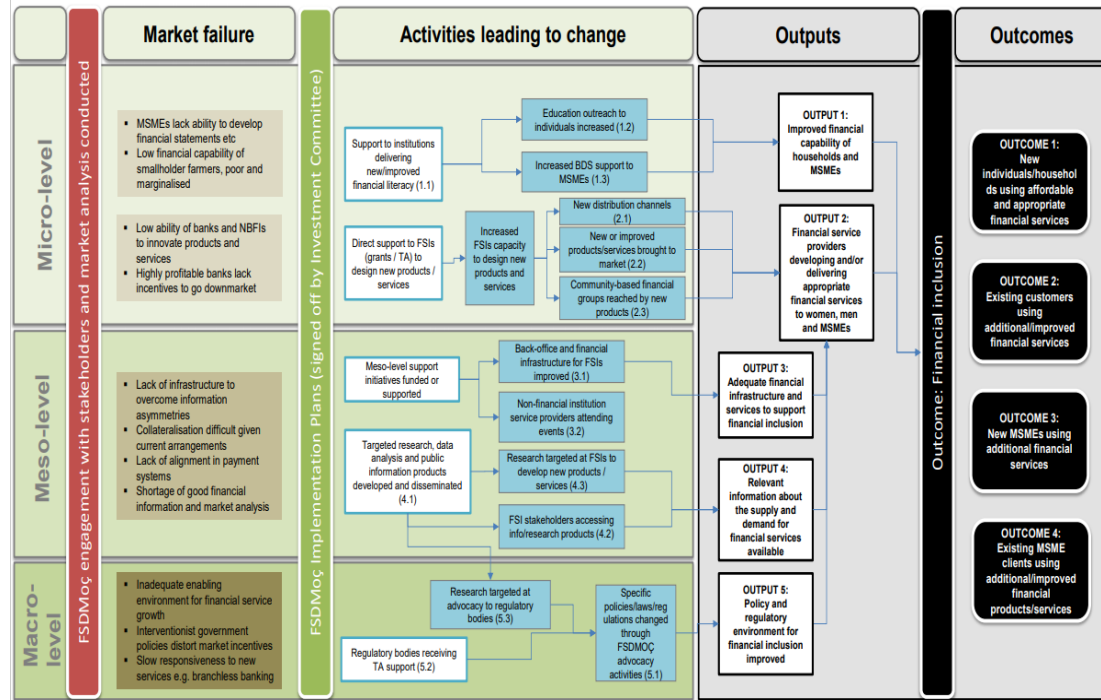
22		ICC + 80/20	Phase II - Eighty20 & ICC (Access Frontier analysis for savings, credit, insurance and housing finance)	apr.16	maj.16	30.219,70		Financial inclusion overview	Study
23		Imbondeiro	Private equity and venture capital regulatory	aug.17	apr.18	22.819,31		Alternative finance / access to K	Study
24		INE	Census 2017 (Financial Support to INE)	dec.16	dec.17	22.709,70		Financial inclusion overview	Study
25	OP 7	ISSM	ISSM-Roadmap for Micro-Insurance Development in Mozambique	okt.17	mar.19	169.929,92		Micro-Insurance	Study
26	OP 9	Letshego	Comprehensive Agency Banking for Rural Sites	jul.17	dec.18	318.959,53		Banking expansion / Agent	Pilot or field implementation
27	OP 10	Mpesa	Vodafone M-Pesa & Extension	jan.16	feb.18	653.760,31		DF/Mobile money expansion	Pilot or field implementation
28		Mpesa	M-Pesa Deepening Outreach to the Women's Market in Mozambique through Mobile Money	jun.17	dec.17	125.328,64		DF/Mobile money expansion	?? Study
29		Maraxis	M-Pesa Evaluation	feb.18		34.105,00		DF/Mobile money expansion	Study
30	OP 12	NBC	ILO-NBC Micro Insurance and Micro Pensions	okt.17	apr.19	158.337,24		Micro-Insurance / DF	Pilot or field implementation
32		Digital Distruption	Agency Banking Network Strengthening			73.563,61		Banking expansion / Agent	Study ??
33		Digital Distruption	CN-Forestering understanding DFS-HCD Among the FSPs	feb.20		27.955,65		Financial inclusion overview	study
34		Other	Learning events (Approved in top up memo) including top up in NO	mar.20		12.525,21		Financial inclusion overview	Training, Conferences

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35		OzMoziz	Phase II - OzMozis (Deep dive on SME linkages to the mining sector in Tete)	jul.16		22.037,08		Alternative finance / access to K ??	Study
36	OP 18	Paycode	Digitalizing Payment of Government Subsidies			50.716,42		DF/Mobile money expansion	Pilot or field implementation
37		positive planet	Phase II - Positive Planet (Improving the Inclusion of Women in Agricultural Value Chains)	mar.16		3.364,32			Study ??? Or Publication ?
38	OP 8	SAN (JFS)	Provision of Financial Services to Smallholders in Niassa Province			59.133,26		Banking expansion / Agent	Pilot or field implementation
39		Socrema + Accion	Digital Financial Services Introduction	jul.19		152.542,06		DF expansion	
40		Solar works	Energy PAYGO Financial Market Disruptor -Solar Works	apr.18	mar.19	298.059,00		Fintech application	Pilot or field implementation
41		Study	Report on FSDMoç Program Lessons Learned Achievements	feb.20		572,07		Financial inclusion overview	Study / Communication
42		Study	Deep dive analysis on Census and Finscope data	feb.20		7.378,85		Financial inclusion overview	Study
43		Zoona	Financial Education and Communication	jun.17	dec.18	133.816,00		Financial Education	Pilot or field implementation
				Sub-total		5.143.841			
Non-Objection and other programmatic spend									
95 transctions being payments for Consultancies, Studies, Research, Technical Assistance, Workshops, Seminars, Conferences, Events, Publications, Audit, Supervision, Institutional Development						1.610.882			
				MDF total disbursements		6.754.723			

Annex 8 – Theory of Change

Theory of Change diagram



Annex 9 – Examples of GESI interventions

In response to a request to indicate if results have been generated by the use of GESI, the following was found:

1. The GESI Strategy has been developed with insights from existing initiatives with the aim to support proactive commitments on Gender and Social Inclusion (GESI)
2. The strategy was developed while the projects have already been implemented (with only 1 year to end of the first cycle). Therefore, the timeframe and objectives of each intervention were key to exploring opportunities for gender mainstreaming.
3. There were no budget considerations because most of the activities were under implementation.
4. There was no intention to undertake any assessment. Rather, FSDMoç monitored the action plans which were developed by each department (eg: operations, MRM, Technical team etc.)

The table below shows the various initiatives with GESI intervention. Looking at the five objectives in the strategy, (refer to Table 2 of the strategy) most have been completed and those that are related to policy change need more time (2 years or more under the M4P approach).

Thematic area	Project	Description	Proposed GESI Activities	Expected Results
Agency Banking	Paycode	The project aims to develop and facilitate digitized G2P (social cash transfers) payments for drought affected families in the rural areas through use of biometrically developed debit cards. It is believed that most of the grant recipients are women and that most of them are heads of household due to the absence of their partners who either have moved to the city or out of the country in search of employment opportunities.	Train and Recruit women and youth traders as POS agents	Trained pool of women and youth agents
			Develop a set of profiles for women and youth to capture gender, age, economic status, geographic location, product access profile	Profiles of women and youth by economic status and product access and usage
			Develop a tracking platform for women and youth access and usage of finances capturing what they are spending their social cash on, and behavior around money management and priorities. How are women and youth prioritizing their expenditure.	List of responsive products and process accessed by women and youth.
				Case studies documenting access and usage by women and youth.
				Documentation of women and youth financial behavior.

	SolarWorks	Solar lighting equipment that has been designed on a down payment and credit facility (commonly referred to as lay bye) that has been tested and has the potential be taken up as a formal financial product by a formal financial institution.	Train and Recruit women and youth as part of SolarWorks agency network.	A pool of trained women and youth on delivery of services through POS agency network.
			Develop and document profile of users agents by age and gender.	Profile of users and agents by gender, age, product type, product preference, and case studies on the same.
			Develop a tracking platform for performance of product use by women and youth.	Documented case studies on women's access and usage and product
			Develop and disseminate a set of recommendations for women and youth responsive products.	Documented case studies on youth (male and female) access and usage.
Savings Groups	Sustainable Formation of Savings Groups (SOMA and E-recording)	The SOMA product of the savings groups aims to support digital integration of savings with a bundle of services to include financial literacy and group formation.	Support development of an inclusive selection criteria for women and youth as savings groups members. By integrating gender and age into the selection training content of the facilitators.	Savings group membership selection criteria that is gender and age inclusive
		Promote employment creation for women and youth as facilitators of group formation and training	Recruit women and youth as master trainers.	Cohort of women and young master trainers.
		This is achievable through development of a selection criteria that takes into consideration age, gender, economic capability as well as geographic location. Selection should also take into consideration mobility and cost effectiveness for selected participants.	Support development of an inclusive selection criteria for women and youth as savings group member, master trainers, facilitators and groups leaders.	Savings group leadership and facilitator selection criteria that is gender and age inclusive
			Develop and deliver responsive savings group training activities for women and youth; taking into consideration the burden of time, disability and mobility	Group selection, training and constitution framework that allows for reduction on burden associated with cost, time, efficiency and effectiveness of group performance by gender and age.
			Savings amounts, Timings, constitution,	

			frequency, place and proximity.	
			Document best practices for scale.	Best practice guide for youth and women inclusive approaches to sustainable savings.
			There is an opportunity to integrate persons with impairment in the delivery and documentation processes.	
Agri-Finance	BCI	Integrated financial education into product and service delivery in agricultural value chains. In the next phase the opportunity to identify women specific agricultural value chains will contribute towards enhancing women's participation in this intervention.	Identify women led agricultural value chains and develop a set of actions for financial education to be implemented within those value chains	Responsive financial education content for women led agricultural value chains.
			Document financial literacy needs of women and support refining of content to respond to their needs and capability. For example, the previous value chain was Tobacco which is male dominated – if financial literacy focus was on tobacco, this may need to change to focus on specific women led value chain crops.	
			Educate service providers on responsive approaches for delivery of digital financial education.	
SME Finance	Britam Trade Insurance	This intervention aims to provide insurance to potential market suppliers, through a facility that will be activated by formal financial services, to allow them to lend based on promissory note or purchase orders presented from a recognized institution	Facilitate dialogue between women owned and led SMEs with markets (Usually big companies demanding services and products in bulk) to create market opportunity for women's products.	A strategic framework for women's inclusion in supply chain with bundled services to include – insurance, financing and linkage to markets.
			Provide technical assistance to women owned SMEs to supply quality products in the market.	

			Facilitate the banks, insurance company and women owned businesses to dialogue on responsive products for their needs.	
			Collaborate with women business associations to identify Women owned and led SMEs with potential to access and use products.	
			Develop a network of women owned SMEs with off-takers and pilot an initiative of linkage to markets for women's products.	
Market Insights	FinScope Deep Dive / Research in general	The FinScope deep dive is due for a deep dive study which has the potential to include specifics on gender and age	Review FinScope Deep dive tools to generate gender and age specific data collection mechanisms.	FinScope analysis report on gender and age
			Develop a sampling framework that is representative of age and gender. Answering to the question on why gaps exist between women and men and by age.	Actionable recommendation for inclusive and responsive financial policies and service delivery
			Develop data collection tools to package case studies for policy and service delivery influence to promote gender and social inclusion. This may include:	A set of data collection instruments responsive to gender and age needs and gaps.
			Source of income, financial management, obstacles to financial service, what products women and youth use, age range	Finscope Gender and Age Deep Dive Report



Final evaluation of financial sector deepening Mozambique (FSDMoç) 2016-2020

The Embassy of Sweden in Maputo, Mozambique is considering the prospect of continuing its support to the Financial Systems Deepening Mozambique (FSDMoç), a program originally funded through DFID/DCDO to ensure that financial inclusion is made available throughout Mozambique. Considering this it has commissioned an evaluation of the performance of the FSDMoç program for the period in which it has provided financial support (2016-2020). The purpose of the evaluation is to “determine whether the obtained results (achieved by FSDMoç) motivate a continued commitment in the current context.” The thematic scope of the evaluation is the performance of the FSDMoç that is being evaluated. This has been taken to mean what FSDMoç had proposed to do in its various plans as defined by the specific formal arrangements and agreements it had with its funding partners. Specifically, the evaluation assessed the extent to which the expected results (at the output and the effects levels of the Theory of Change) were achieved. Since the performance of the FSDMoç is at the core of the evaluation, the evaluation team focused on the EFFECTS generated by the FSDMoç, as compared to the expectations of funders with respect to the Theory of Change, and the contractual agreements between them and the FSDMoç.

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