



MOZAMBIQUE'S EXPERIENCE WITH IMPLEMENTATION OF FINANCIAL SECTOR REFORMS

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PRESENTATION OUTLINE

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- **DEVELOPMENT OF MOZAMBIQUE FINANCIAL SECTOR STRATEGY (Phase II)**
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MOZAMBIQUE'S EXPERIENCE WITH IMPLEMENTATION OF FINANCIAL SECTOR REFORMS

INTRODUCTION

- Given the vital role and contribution of the financial sector in promoting the economic growth, the Government includes this sector in the its Agenda for development and has undertaken various set of financial reforms (Phase I) designed to transforming and developing the financial sector in Mozambique, since 1991;
- The implementation of these reforms had been supported by various development partners through providing finance, consultance services, and capacity building;



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OUTCOMES OF THE FINANCIAL SECTOR REFORMS

During the implementation of financial reforms program the key achievements were the following :

- Strengthened the legal and regulator framework;
- Implemented the International Financial Reporting Standards (IFRS) for banks;
- Established the National Payment System (2008);
- Introduced the Electronic Funds Transference System (2004);
- Established the Financial Information Center of Mozambique (2007);
- Reviewed the condition of the largest commercial banks (2005);
- Improved the Insurance and social security legal framework;
- Established the Institute of Insurance Supervision of Mozambique (2010).

MOZAMBIQUE'S EXPERIENCE WITH IMPLEMENTATION OF FINANCIAL SECTOR REFORMS
CONTRIBUTION OF FINANCIAL SECTOR POLICIES



| | 2005 | 2012 | 2014 |
|--|-----------|-------|--------|
| Comercial banks | 13 | 18 | 18 |
| Microbanks & credit cooperatives | | 8 | 18 |
| Microfinance operadores | 19 | 202 | 285 |
| E-Money institutions | | 2 | 2 |
| Insurance companies | 6 | 13 | 17 |
| Social security & pension funds | | 5 | 11 |
| Intermediary Access Points | | | |
| . Bank agencies | 228 | 529 | 572 |
| . ATMs | 453(2008) | 934 | 1,302 |
| . POS | | 8,499 | 14,461 |
| . Districts with at least one bank agency out of 158 | 27 | 63 | 66 |
| Sources: Bank of Mozambique; FinScope Survey 2009 & 2014 | | | |



CONTRIBUTION OF FINANCIAL SECTOR POLICIES

| | 2005 | 2012 | 2014 |
|--|-------------|------|------|
| Electronic payments Services | | | |
| ➤ Interbanks transferences (%); | | | 35 |
| ➤ Government Payments (%) | | | 65 |
| Financial Access (Use of Services) | | | |
| ➤ Adults with at least one bank account (%/total); | 6 | 20 | 24 |
| ➤ Adults formally banked (% /total); | 13(2010) | | 20 |
| ➤ Adults financially excluded (%/total) | 78 (2009) | | 60 |
| Credit to economy (%/GDP) | 13.2 (2005) | | 30 |

DEVELOPMENT OF THE FINANCIAL SECTOR STRATEGY



OUTSTANDING CHALLENGES FOR THE FINANCIAL SECTOR DEVELOPMENT

- Despite considerable progresses achieved, a comprehensive assessments and survey in the country's financial sector, (the FSAP 2003 & 2009, and FinScope 2009 & 2014 demand survey), revealed outstanding challenges in following areas:
 - Financial intermediation expansion;
 - Legal framework;
 - Quality of financial services and products offered and its adequacy to the economy and households needs,
 - Inter-related Logistical issues (transport, communication, water and energy supply);
 - Financial education and consumers protection; and,
 - Capital market development.



DEVELOPMENT OF THE FINANCIAL SECTOR STRATEGY

- In April 2013 the Government approved the Mozambique Financial Sector Development Strategy 2013-2022 with main objective to overcome the identified new challenges and allowing further development of the financial sector to become sound, diverse, expansive, and provider of the adequate products and services to the majority of households and businesses, at competitive prices;
- The MFSDS focused on three key priority areas:
 - **Maintain the financial stability** through improving the fiscal and monetary policies and deepening the government debt market, strengthening the legal framework, bank supervision and financial sector safety nets;
 - **Improve financial access and support inclusive growth** by developing and implementing policies to promote the expansion of the financial intermediation; promoting savings and development of microfinance; encouraging rural finance; and improving access to housing finance;
 - **Increase the supply of long-term private capital to support development** through improving the mobilization and investment of long-term funds; developing the insurance and pension sectors; privatizing state owned enterprises via Stock Exchange of Mozambique (BVM); promoting the PPPs; and supporting the development of the domestic capital market;

DEVELOPMENT OF THE FINANCIAL SECTOR STRATEGY METHODOLOGY



- The MFSDS design followed a consultative process with various relevant stakeholders, including public and private agents, academics, civil society, and development partners.
- This approach was implemented through direct interaction and seminars for launching and disseminating the strategy;
- **The MFSDS incorporated most of recommendations from: i) financial sector assessments (FSAP 2009 and FinScope 2009); ii) consultative process; and, iii) lessons learned from the implementation of previous policy reforms;**

DEVELOPMENT OF THE FINANCIAL SECTOR STRATEGY GOVERNANCE STRUCTURE



- The governance structure for the MFSDS comprises:
 - **Steering Committee-** responsible for policy decisions and control of the MFSDS implementation. The Committee members are: The Ministers of Economy and Finance; Justice; Land, Environment & Rural Development; Labour & Social Security; Public Works & Housing; Governor of Bank of Mozambique; CEOs of Insurance Supervision & Stock Exchange of Mozambique, and Banks Association. The Steering Committee is chaired by the Minister of Economy and Finance;
 - **The Technical Advisor Committee-** responsible for the technical aspects of implementing the MFSDS. The membership to TAC includes senior officers from sectors represented at SC. The National Director of Treasury chairs the TAC;
 - **The Support Implementing Unit is under the Ministry of Economy and Finance structure-** has responsibilities of coordinating the implementation of activities in line with the agreed sectorial work plans , and preparation of progress report for consideration by the SC, transmission to the Council of Ministers.

DONORS' SUPPORT TO DEVELOPMENT AND IMPLEMENTATION OF THE FINANCIAL SECTOR STRATEGY



- Many Donors showed their interest in funding the development and implementation of the MFSDS:
 - The World Bank/FIRST supported a team of financial sector experts to help in formulating the MFSDS. Also financed the seminars for launching and disseminating of the Strategy;
 - Subsequent to the adoption of the Strategy the World Bank approved the 2014-2016 Development Policy Operation (the DPO) aimed at supporting the financial reforms in areas of financial stability, inclusion, and long-term financial market;
 - The World Bank and the FIRST approved Technical Assistance projects for preparation of the National Financial Strategy and development of Mozambique debt market, and other new areas for the FIRST's TA were already identified in areas of insurance & microinsurance, financial education & consumer protection, public sector pension fund, and ;
- The DFID launched in May 2014, the Mozambique Access to Finance Programme (MAFiP), which would be joined by other donors, designed to finance activities aimed at improving financial inclusion.



CONCLUSION

- The financial sector reforms undertaken in Mozambique since 1991 contributed for major progresses in the development of this sector.
- From our experience the key sources of success are the following:
 - The Government strong commitment to develop and implement the good macroeconomic policy to ensure financial stability was critical to successful outcomes;
 - Aligning the FSDS's priority actions and implementation timing with those of the Government, Bank of Mozambique and other key sectors, helped for a good performance of the financial reforms;
 - Applying the consultative process with Stakeholders in defining and implementing of the reforms allowed for promoting the FSDS ownership and implementation commitment by all;
 - Setting a flexible governance structure, which included key decision policy makers, regulators, and Banks Association was critical for decisions in real time;

CONCLUSION



- Setting a flexible & functional structure for coordinating and monitoring of the implementation of FSDS, with an experienced technical team was, crucial for good results. The Team has been meeting with the Focal-Points of each key public and private sectors to review progress of the MFSDS implementation;
- Ensuring timely availability of budget resources for implementation of the Strategy's recommended reforms was important to avoiding slippages;
- Donors played an important role through funding the development and implementation of financial reforms, and/or providing TA resources, and independent assessments to reforms performance;
- Closed interaction with the Donors' technical supporting team and flexibility allowed for a quick feedback on our requests;
- Better coordination and harmonization among various key players for the implementation of the FSDS became vital for avoiding duplication of efforts and increase of transaction costs;
- Coordination should be: **i) Intra-public relevant institutions; ii) Government and Private sector; iii) Government and Donors; and, iv) Intra-Donors.**

THANK YOU FOR YOUR ATTENTION