Country Survey:

MOZAMBIQUE

Key Facts : Microfinance in Mozambique				
By CGAP[1]	No. of MFIs	No. of Borrowers	Borrowers Population[1]	Borrowers/Poor[2]
	8	62,000	0,27%	0,53%
By MIX[2]	No. of MFIs reporting (2008)	No. of Active Borrowers	Gross Loan Portfolio (USD)	Average Balance per Borrower (USD)
	9	96,762	63.7 million	483
By MFT[3]	No. of MFIs	No. of Active Borrowers	Gross Loan Portfolio (USD)	% Products with a Flat Interest Rate
	50	84,334	65.3 million	32.26%

Country Overview

The Republic of Mozambique in south-eastern Africa is a country of 800,000 km^2 with a population of 23.4 million inhabitants[3]. It is bordered by Tanzania, Malawi and Zambia to the north, Zimbabwe to the west, and Swaziland and South Africa to the south. The country's 2,470 km coastline stretches from north to south along the Indian Ocean[4]. Mozambique's most populous city is the capital Maputo, with more than one million people, followed by Matola, Beira and Nampula[5].

Political Overview

Mozambique became independent from Portugal in 1975 after a 10-year independence war led by the Liberation Front of Mozambique FRELIMO (Frente de Libertação de Moçambique) which later became a political party[6]. From independence until 1990, the socialist oriented Popular Republic of Mozambique had a one-party political system. Civil war inflicted the country from 1976 to 1992. The conflict between FRELIMO and the Mozambican National Resistance RENAMO (Resistência Nacional Moçambicana) was partly as a reaction to the one-party system, and partly a result of diverging Cold War alliances and geostrategic tension, in particular with Rhodesia and South Africa. The latter supported RENAMO as a retaliation to FRELIMO's support to the African National Congress (ANC). The war ended in 1992 with the Rome General Peace Accords, and with support of the United Nations and Mozambique had a unified army by 1994[7].

Following the 1990 Constitution, the country adopted a presidentialist, multi-party political system. FRELIMO has won all elections since the first multi-party elections in 1994. The current President Armando Emílio Guebuza won the elections in 2004 and in 2009[8]. In the 2009 elections, FRELIMO obtained 191 seats in parliament out of 250, while RENAMO is represented with 51 seats and MDM (*Movimento Democrático de Moçambique*), a new party, has eight seats[9].

[1] MFI borrowers as a percentage of the country's overall population
[2] MFI borrowers as a percentage of the poor population based on national poverty rates
[3] This row is populated with data from MF*Transparency*'s *Transparent Pricing Initiative in Mozambique*

Macroeconomic Overview

Mozambique is a small economy with a Gross Domestic Product (GDP) of approximately 9.6 billion USD (2010), according to the Ministry of Finance[10]. The country saw a series of in-depth reforms throughout the 1980s and 1990s in the move from a socialist-type planned economy to a liberal model and has been growing at a pace of over 6-8% since 2003[11]. An estimated of 69% of the population lives in rural areas[12]. The agricultural sector employs 75% of the workforce and represents 31.85% of the GDP in terms of added value[13]. Industry and services account for 23.4% and 44.75% for respectively[14]. The type of agriculture concerning the majority of the populations remains subsistence agriculture[15].

The country exports mainly aluminum (40% of total exports in 2009), sugar, tobacco, wood, cotton, electricity, natural gas, food and beverage (in particular beer) and tobacco, while it imports mechanic and energy machinery, fuel, cereals and steel[17]. Mozambique's main trading partners are South Africa, the Netherlands, India, China, Zimbabwe, Malawi, the USA, Portugal and Spain. The current account deficit has remained constant at 9 – 11% of GDP since 2005, standing at -11.6% in 2010[18].

GDP and Inflation				
Year	**GDP (current USD)***	**GDP Real Growth**	**Inflation**	**GDP Per Capita (USD)**
2005	6.57	8.4%	7.2%	316
2006	7.09	8.7%	13.2%	333
2007	8.03	7.3%	8.2%	368
2008	9.89	6.8%	10.3%	442
2009	9.78	6.4%	3.3%	428
2010	9.58	7.2%	12.7%	409
***Billion USD / Source: World Bank**				

The Bank of Mozambique managed to reduce inflation drastically from 10.4% in 2008 to 3.25% in 2009 (it had reached 13.2% in 2006)[19] through restrictive monetary policy[20], but it has attained again 12.7% in 2010[21] . This is likely due to the strong underlying dependence of prices on agriculture and the weather[22].

A notable feature of the Mozambican economy are the so called "mega projects" or "big projects" (*mega* or *grandes projectos*), mainly export-oriented mining and energy producing extractive activities requiring an investment of over 500 million USD each[23]. There are currently nine such projects, all financed by foreign investment. Foreign direct investment amounted almost 789 million USD in 2010 (8.2% of GDP)[24] and is believed to be largely directed towards mega projects. Their production accounts for 70% of Mozambique's exports (2010)[25]. The government announced in 2010 that the mega projects had invested 9.82 billion USD in the economy since the country opened up to these large investments in the 1990s[26]. Nevertheless, skeptics doubt of the real benefits to the local economy due to several observations. They object that the projects produce primary goods which are mostly exported[27], thus limiting technological transfers to the local economy. In addition, they are capital-intensive and therefore employ few non skilled workers[28] (only 4% of the active population works in the energy sector or in extractive activities[29]), which means they absorb skilled workers who have little incentive to spread the acquired skills by moving to other areas of the economy that offer lower salaries[30]. These projects need high technological inputs, most of which are imported, so their demand from Mozambican enterprises is low[31]. To address this problem, the Ministry of Trade and Industry introduced a business subsidy mechanism MESE (*Mecanismo de Subsídios Empresariais*) in 2011 in order to improve national supply and therefore better link the mega projects to the local economy[32].

GDP – composition by sector:	
Agriculture	31.85%
Industry	23.4%
Services	44.75%
Annual Trade:	
Imports	$ 4,143 million
Exports	$ 2,420 million
Source: 2010 figures World Bank[16]	

The international financial and economic crisis that began in 2007 has spared Mozambique from direct and strong effects on its economy since the national financial sector was not involved in trading the type of financial products that caused the crisis. Still there have been several negative impacts on the economy, including a decrease in foreign direct investment, in remittances, in tourism and in foreign demand of goods and services. Foreign development organizations, however, appear to be maintaining their funding commitments. The Government of Mozambique has created an International Financial Crisis Follow-Up Group GASI (*Grupo de Acompanhamento da Situação Financeira Internacional*) to assist it with problems related to the financial crisis.[33]

Poverty in Mozambique

Mozambique is among the poorest countries in Sub-Saharan Africa, and ranks 184th out of 187 countries in the UNDP's 2011 Human Development Index[34]. It is a major recipient of development assistance. In 2009, Mozambique received more than two billion USD in net official development assistance (ODA) and official aid, ODA being equivalent to 20% of the country's gross national income. In terms of inequality, the 10% poorest households share 1.9% of income, while the wealthiest 10% account for almost 37%[35].

Key Poverty Figures	
HDI value	0.322
HDI Rank	184
GINI	45.6
Pop. below $ 1.25 a day (%)	60%
Source: Human Development Report 2011[36]	

According to the World Bank, 59.6% of the population lived below 1.25 USD a day and 81.7% below 2 USD a day in 2009 (basing on 2005 international prices). The country has a young population (44% aged 0-14 years old) with a life expectancy of approximately 49 years[37]. Progress has been made in the area of literacy as adult analphabetism went down from almost 90% of the total population in 1975 to 45% in 2009[38]. The younger population aged 15-24 has a literacy rate of 70%, although there remains a significant gap between male (78%) and female (63.6%) youth[39]. HIV/AIDS prevalence affects around 11.5% of the population aged 15-49.

Public funds from the Absolute Poverty Reduction Plan PARPA (*Plano de Redução da Pobreza Absoluta*) 2006-2011 have been allocated mainly to the areas of education (18%), infrastructure (10%), good governance (8.1%) and health (7.5%). The PARPA 2006-2011 absorbed 50.2% of public spending in 2010; however this expense still remained below the stated goal of 65% for the period[40].

Traditional Financial Sector and Financial Inclusion

The Mozambican financial sector is very concentrated. There are 18 commercial banks registered by the Bank of Mozambique, some of which provide microcredit (ProCredit, Tchuma, Socremo and Banco Oportunidades)[41], increasing from 13 banks in 2004. However the majority of the active loan portfolio is shared by BIM, BIC, Standard Bank and Banco Austral[42], foreign banks held mainly by Portuguese and South African shareholders. Mozambique's 12 largest banks are all mainly held by foreign shareholders[43]. This concentration leads to high net interest rate margins of 9.8%, well above the Sub-Saharan African average of 6.8%. Similarly, the return on average assets is 3.5%, in comparison to the Sub-Saharan African average of 2.4%[44], suggesting very high profits. High interest rates are principally due to high overhead costs, but they continue to harm small and medium enterprises (SMEs) and individual borrowers and add to the high fees and commissions that can be charged in the absence of real competition within the sector[45].

Only 36 districts (sub-division of the country's provinces) out of 128 have a banking agency[46], representing 21.5% of the national territory. This represents one branch per 3,782 km^2 or per 82,000 people[47], with the vast majority of financial activities and clients located in the urban area of the capital Maputo and, to a minor extent, in other provincial capitals. Out of the 300 bank branches, more than 50% are to be found in the capital Maputo and the Province of Maputo, as well as 258 of the total 453 ATMs. It is estimated that 78% of the population has no access to financial services at all[48]. Only 13% of all firms have access to a credit line, most of which are large firms, meaning most SMEs remain excluded from the financial market[49]. Around 6% of the population had a loan in 2010 and 10% had a savings account[50]. The ratio of deposits to GDP is 25% and private sector credit to GDP is 12.8%, which stands below the regional averages[51]. To address the major challenge of expanding financial inclusion, President Guebuza in 2011 launched a nation-wide campaign to encourage savings. The aim is to change mentalities and encourage people to deposit their savings at banks instead of at home, thus increasing resources and fostering sector growth. The government's goal is that 80% of all districts have branches of financial institutions by 2016[52].

The traditional financial sector, as well as the microfinance industry, has faced a number of challenges that has led to the market concentration and low financial inclusion seen in Mozambique. These include the poor physical infrastructure and human resources with low qualifications. Particularly SMEs and microbusinesses can only provide poor financial information which prevents them from obtaining credit lines. Therefore, banks hesitate to provide loans to businesses and individuals presenting high risk. Furthermore, contract enforcing is costly both in terms of time and money[53]. In addition, staff-related costs and services provided by third parties account for 45.5% and 46.1% of the institutions' operating costs respectively[54]. The Mozambican authorities have engaged in a series of reforms since 2003 that have achieved improvements in the area of supervision and International Financial Reporting Standards have been introduced, in addition to the restructuring of problematic banks. Progress has also been achieved in the application of monetary and exchange rate policies, leading to lower exchange rate volatility[55]. Future reforms are expected to focus on strengthening information systems and enhancing competition[56].

Microfinance Industry of Mozambique

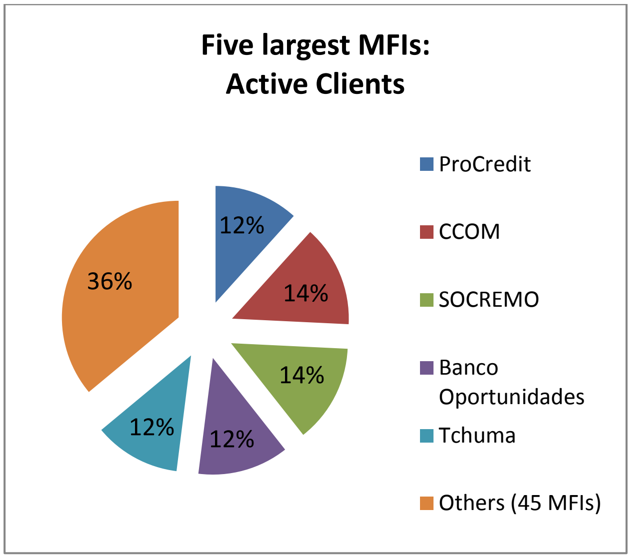
Introduction

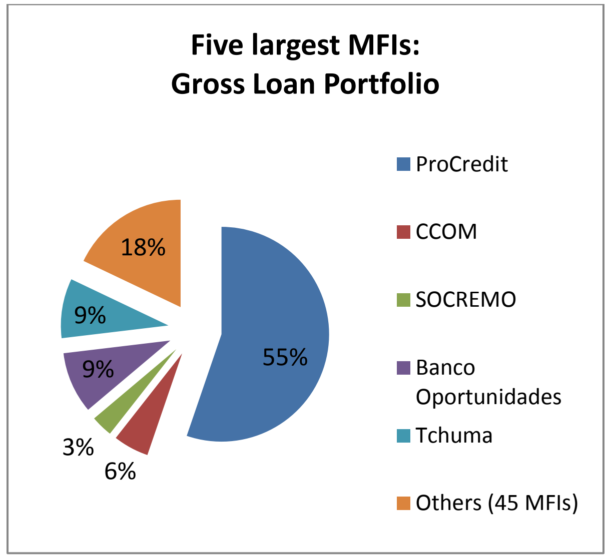
The microfinance industry in Mozambique started in the form of projects financed by foreign development organizations such as the World Bank, the GTZ (Gesellschaft für Technische Zusammenarbeit), CARE or World Relief. These appeared in the late 1980s and developed throughout the 1990s, leading to the creation of some of today's leading national microfinance institutions (MFIs) such as CCOM or Socremo, which in 1998 became Mozambique's first registered MFI[57]. These initiatives fostered the development of a new market with Mozambican actors becoming increasingly strong competitors to internationally piloted programs in the years 2000[58]. According to diverse studies, the market has grown from approximately 9,000 clients in 1998 to more than 16,000 in the year 2000[59]. MF*Transparency* has crossed its own collected data with information provided by AMOMIF and the MIX Market online database and estimates there were approximately 84,334 active borrowers in 2011. This represents only around 0.46% of the total population living below 2 USD a day. Opportunity International estimates the loan market alone represents potentially 400,000 – 600,000 clients. Despite this low coverage, the Financing Mozambique 2010 report identified that 25% of financial products provided to the private sector within its database are microloans.[60]

Microfinance Institutions

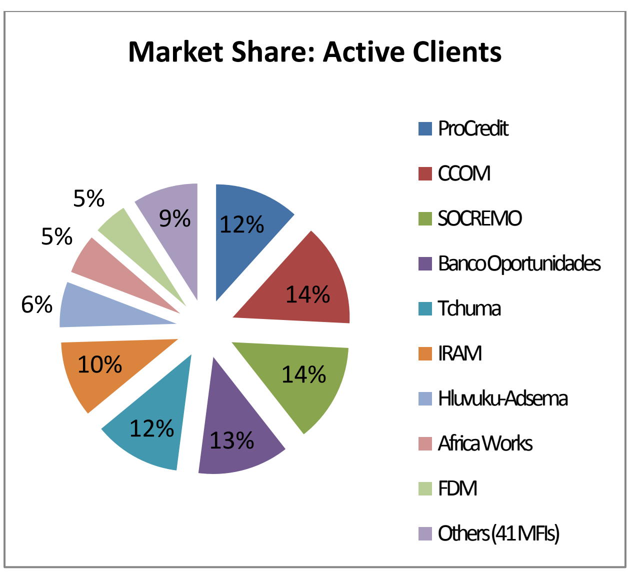
The following graphs are based on combined figures from MF*Transparency* research, AMOMIF and the MIX database. There are currently 50 operating microfinance institutions (MFIs) active in the country. Nevertheless, the Central Bank's list of operators counts 128 licensed institutions, indicating that almost 70 registered institutions are no longer operating but hold an official license.

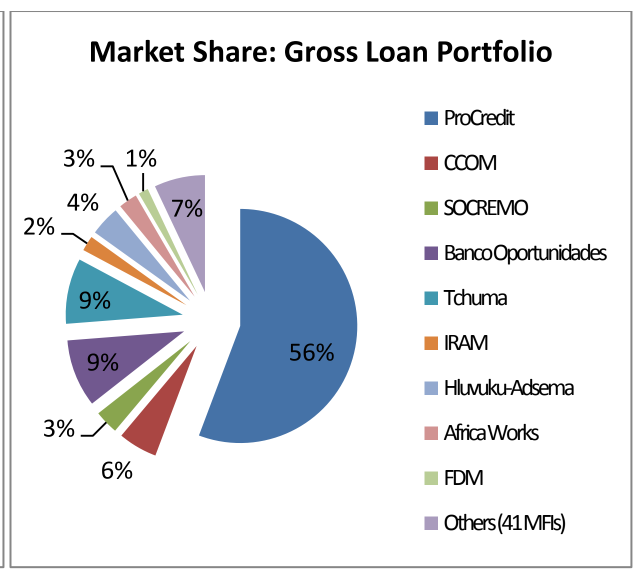
The Mozambican market resembles the traditional financial sector in the sense that it is very concentrated. Five leading MFIs – Banco ProCredit, CCOM, Banco Oportunidades (Opportunity International), Banco Tchuma and SOCREMO – represent 63.9% of the country's active borrowers and 82.4% of the market gross loan portfolio (GLP).





As shown in the graphs below, the majority of operating MFIs share around 9% of the country's active borrowers and account for roughly 7% of the total gross loan portfolio (GLP). Over half of GLP is held by Banco ProCredit, but its low share of active clients indicates that it is providing, on average, larger loans than its competitors. ProCredit is moving upwards in the market to concentrate increasingly on small and medium sized credit, to the detriment of its microcredit portfolio. At the opposite end, the smallest loans on average (total GLP / number of clients) appear to be provided by IRAM – Rede das Caixas Rurais de Nampula and SOCREMO.





Microfinance Institution	Number of Active Borrowers	Gross Loan portfolio (MT)	Reports to MIX (2011)	Participated in MF*Transparency* *Pricing Initiative* (2011)
Banco ProCredit	9,492	932,441,804	Y	Y
CCOM	11,448	90,149,773	Y	Y
SOCREMO	11,071	55,039,000	Y	N
BOM	10,242	156,407,962	Y	Y
Banco Tchuma	9,731	151,488,503	Y	Y
IRAM – Rede de Caixas Rurais de Nampula	8,535	35,000,000	N	Y
Hluvuku-Adsema	5,106	69,146,163	Y	Y
Africa Works	4,453	43,105,161	Y	Y
FDM	3,804	22,656,194	Y	Y
AZADER	200	500,000	N	Y
AKAWE	150	500,000	N	Y
Others (39 MFIs)	7,130	124,015,119	N	N

National Microfinance Network - *Associação Moçambicana dos Operadores de Microfinanças (AMOMIF)*

The Mozambican Association of Microfinance Operators AMOMIF (Associação Moçambicana dos Operadores de Microfinanças), founded in 2007, is the national microfinance network. It consists of 28 members, including all of the country's largest MFIs listed above[61].

In addition to networking among its members and representing them in front of government institutions, AMOMIF also works together with the Bank of Mozambique and other official authorities to elaborate policies and improve practices and legislation. It is currently drafting an industry-wide microfinance code of conduct. One of AMOMIF's major activities is brokering trainings, including at the central bank level. The network has implemented financial education programs with around 400 clients. It has recently created a Mozambican pool of trainers in order to facilitate and better coordinate different types of microfinance trainings. Some activities are currently under implementation such as training for trainers. AMOMIF is funded by UNCDF, IFAD, AfDB, the World Bank, IFC (with whom it signed a memorandum of understanding), KfW and to a lesser extent GIZ. The latter also provides technical assistance to the network.

Funders and Donors

As previously mentioned, the microfinance industry in Mozambique was initiated by international donors, who then withdrew from the market as Mozambican MFIs began to to compete effectively. Some of the current main donors include UNCDF, IFAD, AfDB, the World Bank, IFC, KfW, DOEN Foundation, Oikocredit, Etimos, Caixa Catalunya Foundation, Oxfam or UNCHR. Today, their involvement is in the form of funding contributions to Mozambican managed MFIs, either directly or indirectly via local funding structures such as FARE or Gapi. They also provide capacity building and technical support. A number of MFIs, in particular small-sized institutions, are heavily-dependent on direct or indirect funding. It is unlikely these would survive without external funding; however some local stakeholders label this dependency as harmful to the development of strong performance-based management within the sector.

The Economy Rehabilitation Support Fund FARE (*Fundo de Apoio à Reabilitação da Economia*) is a government fund created in 1992 in order to strengthen the rural economy by providing retail services directly to beneficiaries (farmers, agro-processors, transporters, etc). This historical activity has financed 149 projects for a total value of 6,133,830 USD and stopped in 2008 due to low its recovery rates of 45%. FARE has a current portfolio of 12 million USD. In 2003-04 the Government of Mozambique took an initiative to address the continuous lack of access to financial services in rural areas by creating the Support Program for Rural Finance PAFR (*Programa de Apoio às Finanças Rurais*) which is hosted and managed by FARE. The program is co-financed by IFAD, AfDB and the Government of Mozambique for a total value of 34 million USD. Its target is to reach 135,000 new clients in the country. In addition to funding, FARE also provides other services such as technical assistance and consultancy to its beneficiaries, AMOMIF or the Bank of Mozambique. Today, 80% of FARE's portfolio consists of start-ups. The fund currently provides wholesale lending to a significant number of MFIs, of whom approximately 80% provide loans but only 10% of them are agriculture specific products.

Gapi is investment society with 100 employees, initiated around 20 years ago. It focuses mainly on SME financing with a focus on social responsibility. It is public-private partnership owned by the state of Mozambique, its own employees, the Red Cross, FDC and Gapi itself. Gapi's commercial strategy as a wholesale lender has a strong focus on microfinance. Gapi's interest rates (approx. 20%) are slightly lower than commercial rates (approx. 29%). The rates are annual and variable and are guided by treasury bills. In addition to funding it also provides MFIs with technical assistance and invests in capacity building for clients in order to increase their solvability. Some examples of MFIs that Gapi works with are Banco Tchuma, Caixa de Poupança Postal de Moçambique-Niassa, Caixa Financeira de Caia, Micro Banco de Desenvolvimento de Mulheres, Rovuma Microbanco or Inguwe Microbanco. Gapi recently redefined its strategy to explore the enormous potential for growth in Mozambique and plans to create 30 new MFIs in all the country through debt and equity financing.

Legal and Regulatory Environment

The Bank of Mozambique is the main actor in the regulation of the microfinance industry as it issues norms and decrees and is responsible for their enforcement. The Department of Banking Supervision carries out all supervisory activities.

Together with the central bank, the other major institutional actor is the National Directorate for Promotion of Rural Development DNPDR (*Directório Nacional de Promoção do Desenvolvimento Rural*), a policy maker under the authority of the Ministry of State Administration. It was created in 1997 with the goal of coordinating and implementing programs to influence operators and policy makers and build their capacities. The DNPDR drafted the first Mozambican legislation on microfinance that was adopted by the central bank.

The Microfinance Regulation as established through decree 57/2004 defines two major types of microfinance operators being subject to either prudential regulation or monitoring by the Bank of Mozambique.

Prudential supervision consists of ensuring the implementation of obligations mainly in terms of solvency ratios, reserve requirements and risk limits. MFIs are subject to the "authorization regime" under which they must obtain a license to operate. Prudential supervision applies to both credit cooperatives and microbanks:

1. Microbanks are divided into four sub-categories:
    a. Credit and savings general bank (*Caixa geral de poupança e crédito*)
        i. Activities: Deposit taking and credit provision from and to the public
        ii. Minimum capital: 5,000,000 MT

   b. Rural financial bank (*Caixa financeira rural*)
      i. Activities: Deposit taking and credit provision from and to the public. At least 50% of its activities must be focused on rural areas.
      ii. Minimum capital: 1,200,000 MT
   c. Economic bank *(Caixa econômica)*
      i. Activities: Deposit taking (up to one year) and credit provision from and to the public.
      ii. Minimum capital: 2,400,000 MT
      iii. Must have at least one non-government organization with a social focus among its partners
   d. Savings postal banks *(Caixa de poupança postal)*
      i. Activities: Deposit taking from the public. The funds can only be invested into low risk operations.
      ii. Minimum capital: 1,800,000 MT
2. Credit cooperatives are entitled to take deposits and provide loans to their members only. The minimum capital requirement is 1,800,000 MT.

Monitoring is rather a follow-up of microfinance operators' activities focusing on more general information for statistic purposes. These MFIs fall under the "inscription regime" and must only register at the Bank of Mozambique.

1. Savings and credit organizations *(Organizações de poupança e empréstimo)*
   a. Activities: Deposit taking (max. 10,000 MT per deposit and loan provision to its members only. Max. 200 members.
   b. Minimum capital: 150,000 MT
2. Microcredit operators *(Operadores de microcrédito)*
   a. Activities: Credit provision
   b. Minimum capital: 75,000 MT
   c. Microcredit operators can be natural or legal persons
3. Deposit intermediaries *(Intermediários de captação de depósitos)*
   a. Activities: Intermediating deposits on behalf of deposit taking credit institutions
   b. No minimum capital requirements[62]

In addition, several commercial banks are engaged in microfinance activities, including leading actors such as Socremo, NovoBanco (today ProCredit) and Banco Oportunidades. Banco Tchuma recently changed its status to a commercial bank, too. These are mostly banks that had previously another status and decided to switch to a more advantageous category in the past decade. This type of institution has reporting requirements similar to microbanks and credit cooperatives[63].

Interest Rates and Transparent Pricing

The advisory notice 1GGBM/99[64] of the Bank of Mozambique allows MFIs to charge interest rates without a legal ceiling. During MF*Transparency*'s in-country meetings the current debate at the central bank's level on introducing a usury rate was addressed, but no legal decision has been taken in that regard so far. There is no official standard formula for comparing product prices such as an annual percentage rate (APR) or an effective interest rate (EIR) nor disclosure obligations for additional costs such as administrative fees or insurance costs. MFIs disclosure obligations require the disclosure of product type and the interest rates charged to clients on a six-monthly basis; however there is a real lack of a standard comparison methodology across products. Smaller MFIs are required to display their prices clearly in their branch offices and loan documentation, while major MFIs such as commercial banks must in addition publish their data in *Jornal Notícias*, the daily newspaper with the biggest national coverage. These requirements apply to all types of above mentioned institutions. Nevertheless, not all registered MFIs are able to comply with these reporting requirements due to limited operation capacities, in particular small-sized institutions operating in rural areas.

Consumer Protection

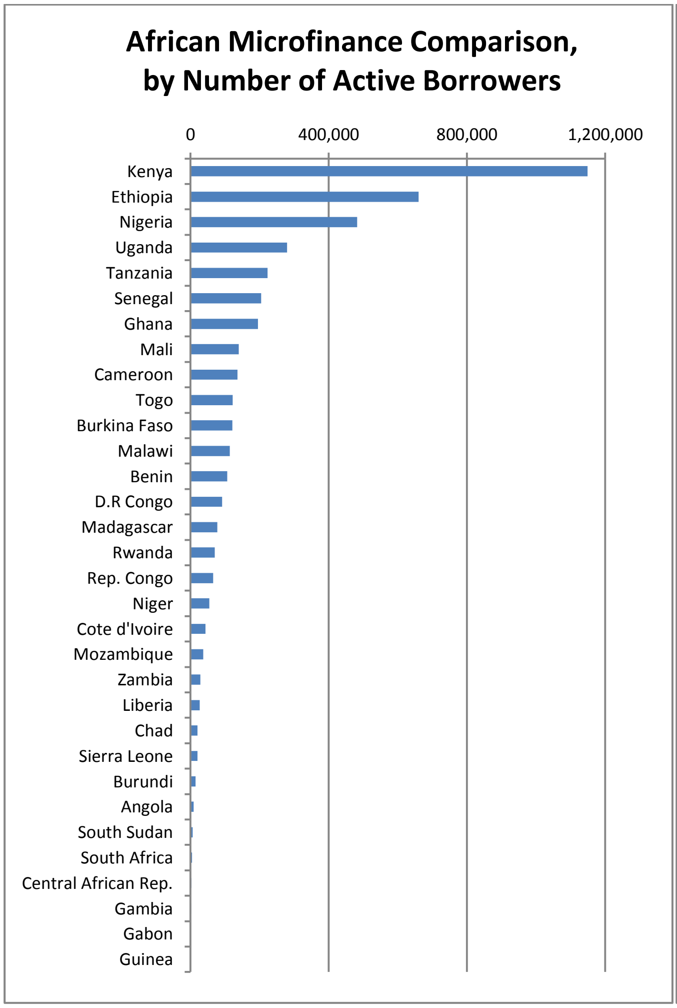
Consumer protection policies are not as developed as in other industries. The disclosure obligations mentioned above can be regarded as the sole real consumer protection mechanism in the local microfinance industry. Other measures of client protection are the legal requirements for each of the institution categories listed above, such as minimum capital requirements and other specific obligatory ratios established in the Bank of Mozambique's legislation in order to ensure solvency and liquidity.

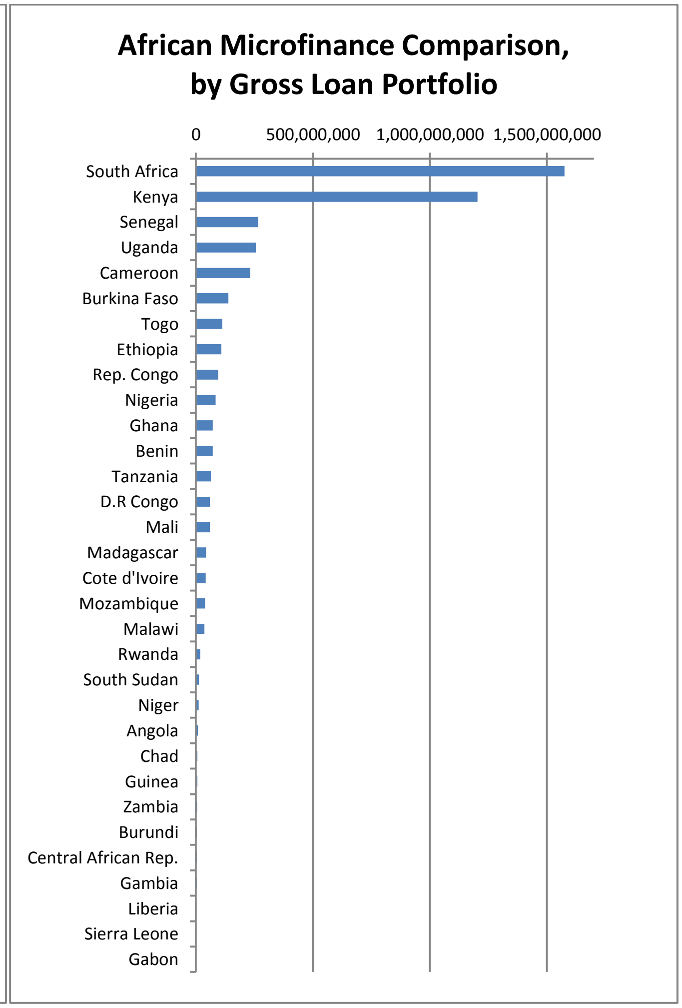
MFI Ratings

Ratings of microfinance institutions in Mozambique by internationally recognized ratings agencies are rare. As of January 2012, Planet Rating was the only agency to have assessed a Mozambican MFI, rating SOCREMO with a C++ in 2008. This lack of rating adds to the general problem of deficient information in the local industry.

Mozambique and Microfinance in Africa

Data from The Mix Market in 2010 showed the African microfinance sector as having 4.5 million borrowers and a gross loan portfolio of 4.6 billion[65] USD. In terms of scale Mozambique ranks the 20th largest number of active borrowers and the 18th largest GLP out of 32 countries, i.e. below the average, confirming there is an enormous growth potential for the industry in one of the world's poorest countries:





Source: Mix Market 2010

Challenges for Microfinance in Mozambique

The microfinance industry faces a number of challenges for growth. Less than 1% of those living with less than 2 USD per day are active borrowers, indicating that there is an enormous potential for expansion. These overall low income levels in the population have resulted in low savings, impeding a proper financial sector development.

Several factors undermine the efficiency of MFIs, in particular the small-sized institutions. Poor transportation and communication infrastructure results in high operating costs, particularly in rural areas. Because of this and the very low population density, the microfinance market has always been concentrated around urban centers, mainly around the capital Maputo. Reaching out to the underserved rural population is one of the industry's major challenges. Fion de Vettler found that in 2005, 50% of the country's borrowers' population and 39% of all active savers lived in the area of Maputo/Matola[66]. It has been suggested by some that the fiscal incentives provided for the opening of rural branches are not sufficient to cover the cost of operating losses.

In some areas low levels of education have resulted in a lack of qualified human resources, despite capacity building programs by local organizations such as AMOMIF and international development institutions[67]. More efforts are required in that area along with better coordination with the Government of Mozambique in terms of education.

Due to deficient management information systems, some MFIs are not fully aware of their total active portfolio or number of clients, in other cases the information is very dispersed and can only be made available by researching through different branch offices. Only nine of Mozambique's MFIs have reported to the MIX Market, one of which no longer exists (AfricaWorks acquired FCC's portfolio in 2009), so a true picture of the market is difficult to obtain.

Another challenge to growth is the lack and type of funding. First, many MFIs, including some of the leading ones, encounter financing difficulties with commercial banks because they are considered too risky, while others remain sustainable and exert pressure for growth on the former. A number of MFIs today are trying to solve this issue by moving upwards in the market and developing small- and medium-sized loans in order to diversify their portfolios and subsidize micro-sized loans through more profitable products. Secondly, Mozambique is a large recipient of overseas development aid and many MFIs, in particular small-sized ones, rely completely on donor funding. This dependency undermines the development of a more performance-based management, however a number of MFIs surviving through donor funding appear to be satisfied with a relatively low number of clients and show little interest in growing. Possible solutions include better donor coordination with the Government, FARE and Gapi as well as consolidation of small, poorly efficient institutions.

All stakeholders bought together by the MF*Transparency's* work in Mozambique shared similar concerns about the framework and future developments of the microfinance industry. The multiplication of national MFIs in the last ten years and the enacting of more specific microfinance legislation in the same period show that there is definitely a potential for increased stakeholder cooperation in order for the industry to serve more clients in the future.

About the Country Survey

The Country Survey resources are comprehensive literature reviews that outline the country-specific context for the data collected during the Transparent Pricing Initiatives. Each country has a unique set of circumstances defining the state of its microfinance market. The macroeconomic conditions, the political history, and the level of financial inclusion in a country are important factors characterizing the origins and future development of its microfinance market. An awareness of the country-specific regulatory environment for microfinance, as well as the involvement of other industry actors and industry challenges, is a valuable backdrop when considering a market's pricing data. Country Surveys are prepared by a team of talented interns working for MFTransparency, and should be viewed as a resource offering general contextual information for the Transparent Pricing Initiative in each country.

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