

Innovation – The Key to Financial Inclusion

The ProEcon Programme: Improving the Framework Conditions for a Competitive Private and Financial Sector in Mozambique

On a global level, banks don't tend to serve the poorest parts of the population and only reach a small part of emerging markets. In Mozambique, this is reflected in the fact that only 11% of the adult population has access to financial services, such as current accounts, savings accounts, loans and transfer services – a very low level compared to other African countries.

This is due to the very low levels of education in general, financial education in particular, and the lack of financial institutions in rural areas above all. Currently, there are about seven times more bank branches in urban areas and cities than in rural areas. Due to the difficulty of finding a bank in rural areas, more than 100,000 people have joined informal savings and loan groups.

Nevertheless, the potential growth of MSMEs and the economic development of the population are severely constrained by the lack of access to financial services.

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH supports the development of an inclusive financial system in Mozambique, in cooperation with the Bank of Mozambique, civil society organizations and financial institutions.

On behalf of	The German Federal Ministry for Economic Cooperation and Development (BMZ)
Programme region	Mozambique - Provinces of Sofala, Manica and Inhambane
Target group	The rural population, particularly women. Micro, small and medium-sized enterprises (MSMEs)
Objective	Linking rural groups to financial institutions, extending the reach of financial services, and thus develop an inclusive financial system
Partners & cooperation	Banks, microfinance banks, Gapi, mobile money operators, organizations promoting rural and local economic development (ADEL Sofala, ADEM, Kukula), the Bank of Mozambique (BdM), the Mozambican Association of Microfinance Operators (AMOMIF)

In order to address the challenges described above, ProEcon assists its partners in the development of innovative financial products and services, such as mobile banking and bank agents. As an example, it costs about 2,000 USD to equip and agent with a POS, which is less than 10% of the cost of establishing a traditional bank branch.



photo: In Mozambique, only 11% of the population has access to formal financial services. However, 33% of the population use mobile phones – a great potential for the expansion of mobile financial services.



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These innovations reduce transaction costs and the rural population gain access to a wider range of formal financial services. Low-income members of the rural population stand to benefit, particularly female entrepreneurs, who represent 55% of the members of informal community groups.

In addition, the ProEcon supports the Bank of Mozambique in the creation of a favourable regulatory environment for both innovative banking channels and electronic banking, and for the expansion of complementary services in the financial system infrastructure, such as a credit bureau.

The Contribution of ProEcon

ProEcon offers advisory services to private financial institutions and training to informal groups. In this process, new products and business models are developed. For example, ProEcon supports the expansion of the network of mobile banking agents to rural areas in order to provide the population with access to formal financial services, in this case through the use of mobile phones.

Furthermore, to increase the use of products and services, ProEcon supports activities designed to increase the knowledge of financial services. Fairs, training and radio programmes advise the target groups about the possibilities, requirements, benefits and costs of using financial products.

Mobile Banks for Savings Groups

Maria Franscisca Froi is a member of a savings and loan group. With her savings, she invests in her stall, where she sells food products. As the group has no bank account, the money saved is hidden in a box under the bed of a group member.

To increase the security of the savings, ProEcon supports the creation of mobile banking agents. This way, members can deposit their money throughout the month and save electronically – from their personal mobile phone, to a group account on the group phone

for additional information:

<http://www.youtube.com/watch?v=l8n-Ghl2sR4>

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