

CALLDOWN CONTRACT

Framework Agreement with: DAI Europe Ltd

Framework Agreement for: Expert Advisory Call Down Services LOT B

Framework Agreement Purchase Order Number: 7468

Call-down Contract For: Provision of Administrative and Financial Management Services to FSD Mozambique

Contract Purchase Order Number: 10038

I refer to the following:

1. The above mentioned Framework Agreement dated 19th October 2016;
2. Your proposal of 24 April 2020

and I confirm that DFID requires you to provide the Services (Annex A), under the Terms and Conditions of the Framework Agreement which shall apply to this Call-down Contract as if expressly incorporated herein.

1. Commencement and Duration of the Services

- 1.1 The Supplier shall start the Services no later than 15 June 2020 ("the Start Date") and the Services shall be completed by 14 June 2021 ("the End Date") unless the Call-down Contract is terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

2. Recipient

- 2.1 DFID requires the Supplier to provide the Services to the Department for International Development ("the Recipient").

3. Financial Limit

- 3.1 Payments under this Call-down Contract shall not, exceed £2,689,784.94 ("the Financial Limit") and is exclusive of any government tax, if applicable as detailed in Annex B.

4. Payment Mechanism

- 4.1 The contract payment structure will follow a hybrid output/milestones and input based approach. Payments will be linked to the achievement of output/milestones with of 100% fees linked to outputs/milestones of the project. All expenses should be paid based on actuals (input based).

Where the applicable payment mechanism is "Output Payment", invoice(s) shall be submitted for the amount(s) indicated in Annex B and payments will be made when the relevant output

April 2020

is delivered in its final form by the Supplier. Payments pursuant to clause 4.1 are subject to the satisfaction of DFID's Project Officer in relation to the performance by the Supplier of its obligations under the Call-down.

5. Proposed Workplan and Budgeted Programme Intervention

The Supplier will be required to submit the following documents within 15 working days following signature of the contract, which will be reviewed by DFID before being approved: (i) revised working plan with clear end date of cooperative institutionalization no later than 9 months after project start and; (ii) budgeted programme intervention.

6. Officials

DFID

6.1 The Contract Officer is:

REDACTED

6.2 The Project Officer is:

REDACTED

Supplier

6.3 The Contract Officer is:

REDACTED

6.4 The Project Officer is:

REDACTED

7. Key Personnel

The following of the Supplier's Personnel cannot be substituted by the Supplier without DFID's prior written consent:

Name	Position
REDACTED	Team Leader
REDACTED	Deputy Team Leader
REDACTED	Grants & Compliance Manager
REDACTED	Investment Manager
REDACTED	Market Development Manager
REDACTED	Finance Manager
REDACTED	Market Insights Manager
REDACTED	IT Manager

8. Reports

- 8.1 The Supplier shall submit project reports in accordance with the Terms of Reference/Scope of Work at Annex A.

9. Duty of Care

All Supplier Personnel (as defined in Section 2 of the Agreement) engaged under this Call-down Contract will come under the duty of care of the Supplier:

- 9.1 The Supplier will be responsible for all security arrangements and Her Majesty's Government accepts no responsibility for the health, safety and security of individuals or property whilst travelling.
- 9.2 The Supplier will be responsible for taking out insurance in respect of death or personal injury, damage to or loss of property, and will indemnify and keep indemnified DFID in respect of:
- 9.2.1 Any loss, damage or claim, howsoever arising out of, or relating to negligence by the Supplier, the Supplier's Personnel, or by any person employed or otherwise engaged by the Supplier, in connection with the performance of the Call-down Contract;
 - 9.2.2 Any claim, howsoever arising, by the Supplier's Personnel or any person employed or otherwise engaged by the Supplier, in connection with their performance under this Call-down Contract.
- 9.3 The Supplier will ensure that such insurance arrangements as are made in respect of the Supplier's Personnel, or any person employed or otherwise engaged by the Supplier are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.
- 9.4 The costs of any insurance specifically taken out by the Supplier to support the performance of this Call-down Contract in relation to Duty of Care may be included as part of the management costs of the project, and must be separately identified in all financial reporting relating to the project.
- 9.5 Where DFID is providing any specific security arrangements for Suppliers in relation to the Call-down Contract, these will be detailed in the Terms of Reference.

10. Call-down Contract Signature

- 10.1 If the original Form of Call-down Contract is not returned to the Contract Officer (as identified at clause 4 above) duly completed, signed and dated on behalf of the Supplier within **15 working days** of the date of issue on behalf of DFID, DFID will be entitled, at its sole discretion, to declare this Call-down Contract void.

No payment will be made to the Supplier under this Call-down Contract until a copy of the Call-down Contract, signed on behalf of the Supplier, returned to the DFID Contract Officer.



Signed by an authorised signatory for and on behalf of
The Secretary of State for International Development

Name:

Position:

Signature:

Date:

Signed by an authorised signatory for and on behalf of
DAI Europe Ltd

Name:

Position:

Signature:

Date:

Annex A

Terms of Reference

PROVISION OF ADMINISTRATIVE AND FINANCIAL MANAGEMENT SERVICES TO FSD MOZAMBIQUE

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1. Introduction and Background

DFID has been supporting the financial sector in Mozambique since 2013 through a programme which aims to increase access and improve the quality of financial services for more than 2.5 million people, and one thousand Micro Small Medium Enterprises (MSME). The UK has provided £13.5 million alongside and Swedish Sida £3.6m to Financial Sector Deepening Moçambique, FSDMoc, a facility providing greater access to financial services for more men, women and businesses in Mozambique, particularly in rural areas.

Acting as a catalyst, FSDMoc supports both public and private sector efforts to develop an efficient and vibrant financial sector that offers a wider range of financial services through diverse channels to households, particularly those with low incomes, and micro, small and medium enterprises. FSDMoc does not provide services directly but rather provides temporary and catalytic support to others to demonstrate markets, align incentives, develop support services, or facilitate linkages between supply and demand. Working with the Mozambican Central Bank and other public and private sector partners, FSDMoc facilitates linkages and coordination among consumers, financial service providers, civil society organisations, government, and other key stakeholders to support the development of a financial market system that works better for poor urban and rural communities. Part of this commitment includes also technology solutions, which will enable Mozambique to leapfrog into the world of digital finance, bringing access to finance for the majority of Mozambicans and opening new opportunities for inclusion and economic empowerment. FSDMoc has achieved an important role in the Mozambican financial sector, which will continue from April 1st through a transition from programme to an independent legal institution. In the longer term, the plan is to establish FSDMoc as a Foundation. However, the legal process for creation of Foundations is currently subject to legal and political discussion and it is uncertain how long this process will take. In the meantime, FSDMoc has been established as a Cooperative as an effective interim measure. As a result of new COVID19 it is expected delays in project implementation and there is an opportunity for FSDMoc to support on digital payments, cash transfers as a response to COVID19 to most affected sectors.

The UK hopes to continue support to FSDMoc through a new FSD Africa platform ("FSD 2.0"), of which £17m has been earmarked for Mozambique over the next five years. However, the FSDMoc Cooperative does not yet have the systems and policies in place to allow it to manage UK funds.

Ernst and Young have been contracted to outline the governance structure, operating policies and procedures of the Cooperative which will be the basis for building systems and capacity.

DFID is contracting a service provider (SP) for up to 1 year to:

- 1) Continue to manage DFID funds to FSDMoc in this transition period in order to ensure continuity of staffing and delivery of results with a contingency to tackle emerging issues due to COVID-19 delays as well as response to COVID19
- 2) Build the capacity of the Cooperative including establishing, embedding and monitoring implementation of policies and systems so that DFID has the necessary assurances to enter into an Accountable Grant agreement with the Cooperative at the end of this contract.

2. Objective and scope of work

The objective of this assignment is to allow for continuity of programme implementation, whilst supporting the set-up and transition to a fully functional Cooperative able to operate independently as a local entity.

DFID require a SP, who will assist the team in a phased approach to ensure a seamless transition to the Cooperative. The SP will be required to perform the role of a Fund Manager, overseeing the use of funds allocated by DFID to deliver activities under the workplan of the Cooperative. In addition, the SP will build the capacity of the Cooperative team to enable them to carry out activities on their own with systems in place to fully operate and receive funds from DFID and other donors. The SP will report to DFID and will work in close collaboration with Cooperative.

The SP would not only provide outsourced services to the FSDMoc Cooperative, especially in the area of financial management, but also provide continuous reassurance that the Cooperative's systems are of high quality and rigorous, under constant assessment. The Cooperative will be responsible for the delivery of all work commissioned under the Accountable Grant agreement.

3. Recipients and Beneficiaries

The recipient is the FSDMoc Cooperative. Vulnerable Mocambicans, particularly those that are hard to reach and currently excluded from the formal financial sector will be the primary beneficiaries of the support. In addition, other stakeholders, including Government and development partners, will also benefit from any learning generated through the support.

4. Budget

The total budget for this component is up to £2.69 million inclusive of any applicable taxes. Up to £1.5m for the suppliers services and up to £1.19m for funds to the FSDMoc Cooperative.

DFID may propose adjustments to the budget allocations dependent on to the need to adapt to lessons learned and changing circumstances, whilst ensuring continued line of sight to the overarching programme objectives.

5. Context

The financial sector is a priority sector in the UK Prosperity Strategy for Mozambique and has been identified in the Country Development Diagnostic as one of the main sectors to unlock Mozambique development. DFID Mozambique support to financing the agricultural sector is one of the priorities for DFID Mozambique business plan in line with the Government of Mozambique's vision for economic transformation. Other donors are also looking to support FSDMoc going forward, but are unable to provide support until the local legal entity is fully operational.

Constraints:

1. Low levels of financial literacy and market education
2. High interest rates constrain access to finance, particularly for SMEs and agriculture producers
3. Weak regulatory capacity and coordination:
4. Lack of appropriate products that meet customer needs:
5. No clear approach from Government and different stakeholders on how to use the enormous potential of informal savings groups as a mechanism for financial inclusion, especially in rural areas
6. The low access to a national ID and other documentation required to open bank accounts particularly in rural areas.
7. Lack of intermediation of funds for SMEs, which is non-bank based and can channel funds that are adequate to meet these enterprises' needs, particularly in the agricultural sector.

Opportunities:

- Investment - The government of Mozambique is increasingly aware of capital market development as an alternative for finance.
- Access/Usage - There is a need to reach vulnerable people with physical impairment through innovative and accessible products and services that will be used to influence inclusive policies
- Stability and Integrity - the work on data privacy protection and usage as well as consumer protection is essential for enabling stability and integrity of the Mozambican financial market.
- Innovation - high levels of mobile phone penetration create opportunities to expand digital financial services, especially for the hard to reach rural population.

6. Outcomes

The following outcomes were identified as part of FSD 2.0 platform 2021-2025:

- (i) Increased and diversified coverage of an appropriate range of financial services to vulnerable and remote populations;
- (ii) Improved consumers' trust and awareness regarding the financial sector;
- (iii) Development of market finance and digital financial products/services such as sovereign, municipal and green/blue bonds, climate and insurance products;
- (iv) Improved access to credit and insurance services for SMEs; and
- (v) Improved availability of financing mechanisms for agriculture.

7. Requirements

This section presents the main requirements of this assignment that the SP needs to address, grouped into two main categories: i) requirements that are specific to the transition phase; and ii) skills and expertise requirements.

7.1 Transition phase requirements**(1) Programme delivery requirements**

The SP must ensure that after 12 months, activities of the first year outlined in the 5 year plan (See Appendix 3 below) plus emerging activities due to COVID19 will be delivered in order to ensure smooth implementation of the 5 year proposal from FSDMoc as part of FSD 2.0 submission.

(2) Capacity building requirements

The focus of capacity building during this period will be on financial management and adequate systems in place to receive funds. The SP must ensure that all mechanisms and procedures belong to the cooperative, therefore the SP will act as an on-the-job coach or trainer for cooperative members. Over time the mechanisms of decision of use of funds, contracting of services, recruitment etc. are gradually transferred to the Cooperative. The SP must ensure that it has trained staff to a level where they can manage the Cooperative without need for ongoing third party support or that they can hire external services to continue strengthening the cooperative and give donors enough confidence to transfer funds. The target date for all systems and policies to be in place is at three months. At this point the SP should be able to transfer funds to the Cooperative. We anticipate DFID carrying out a Due Diligence Assessment (DDA) before end of twelve months to determine whether the Cooperative meets the standards required before DFID can provide direct funding. An overview of the DFID DDA areas of focus is provided in Appendix 2.

The SP must ensure that the Cooperative is able to assume all the responsibilities instituted in the terms of its statutes. In particular, it must demonstrate that systems and processes of the Cooperative are appropriate, functional, and being used effectively. These include:

7.1.1 Accounting, financial management and financial reporting

Financial systems and processes that provide assurance of effective management of risks of fraud, bribery, corruption and money laundering.

- Maintain accounts for FSDMoc in accordance with generally accepted accounting principles and in conformity with accounting requirements under donor grant arrangements
- Prepare monthly and quarterly management accounts, comparing actual income and expenditure against budget; and prepare draft financial reports with explanations of all significant variances (greater than $\pm 10\%$ of budget) for submission to the Board as part of the quarterly management accounts.
- Manage all aspects of FSDMoc's tax affairs including VAT administration, preparation and submission of tax returns.
- Ensure policies and procedures are in place to maintain compliance with Counter-terrorism financing legislation
- Maintain records relating to all bank accounts held on behalf of FSDMoc and undertake routine bank reconciliations
- Pro-actively manage FSDMoc's liquidity position to ensure that FSDMoc has adequate funds to finance its operations at all times.
- Manage a petty cash system for travel and office expenses, providing regular reconciliations

7.1.2 Management of downstream delivery partners

- Establish systems and procedures to assess capabilities of downstream partners, monitor and mitigate risk

7.1.3 Support for procurement and record keeping

- Support procurement of goods and services by FSDMoc in conformity with principles defined in the operating Policies and Procedures
- The SP should advise on and, where possible, implement the automation of procurement processes
- Keep all financial and contractual records for FSDMoc (in accordance with the Policies and Procedures)

7.1.4 Policies and Procedures

- The SP will work with the Cooperative to operationalise all necessary policies e.g. HR policies, recruitment policy, safeguarding policy, code of ethics and others to be determined.
- Support strong risk management processes and systems
- Working with the Office Manager, the SP will provide support for the implementation of the administrative aspects of HR management, including:
 - Using, testing and advising on cooperative appropriate systems for HR records management
 - Advising on and engaging with government bodies such as National Social Security Fund, National Hospital Insurance Fund etc.)

7.1.5 ICT and office environment

- Technology systems are required to enable the Cooperative to carry out its activities as an organization of the digital age and that accompany the digital transformation of the economy. Therefore, the systems should among others allow the monitoring of partnerships, evaluation of the performance of workers, financial management. This should ensure that SP does not use its Systems based outside of Maputo, but rather to install them in Maputo. The SP should take into account FSD 2.0 platform in particular in relation to sharing of resources.
- The SP will work with FSDMoc staff and in-sourced service providers to ensure the ICT and office environment is robust, secure and appropriate to FSDMoc's needs
- The SP must provide a certificate of assurance that all IT systems are based in Mozambique and are compliant with Mozambique legislation;

7.1.6 General obligation

- The Services Provider will be obliged to bring to the attention of the Director and the Board all potential, actual or perceived threats of financial loss, violation of defined operating policies and procedures or other material threats to FSDMoc

7.3 Deliverables

The SP will set out a **transition workplan** with clear tasks and deliverables, including responsible persons and firm deadlines. This should include, although not be limited to, the elements outlined above. Adjustments to the workplan will be based on critical assessment of progress via strategic review meetings taking place monthly and whenever needed.

Progress reports

Phase 1: 3 months - DFID will expect biweekly, brief status updates using a simple standard format referencing the time-bound work plan.

At the end of month 3, the SP will submit a Set-up Phase Report to DFID after FSDMoc's Board for approval containing a detailed description of the Cooperative's financial and administrative systems and set out an action plan/timeline for full implementation of any outstanding tasks.

Phase 2 : 3 to 9 months¹: *Gradual exiting from SP, COVID19 response and Implementation report*

The target date for all necessary systems and policies to be in place is at the end of month three. At that point the SP will provide confirmation all requirements are in place for the Cooperative to begin receipt of funding and undertake delivery of funded operations with the supplier's continued support. In this report SP must review the effectiveness of the systems both for normal and emergency (COVID19) activities, identifying areas where problems have occurred and proposing corrective action and recommending where the cooperative needs to contract external services for efficient implementation of projects activities. In month four SP will, subject to DFID's approval, agree with the Cooperative their plan of work and issue a grant to the Cooperative. Other aspects of the grant arrangement will be proposed and agreed with DFID. SP will oversee progress of the grant delivery.

Other deliverables

- Manuals
- Document templates
- Budgets and cash flow forecasts

¹ We expect a realistic timebound from SP to fulfil the task taking into consideration delays and emerging issues from COVID19

- Financial accounts, reports and variance analyses
- System reviews report
- Risk management framework and risk management process

7.2 Skills and expertise requirements

- A crucial factor for the success of the programme will be the SP's capacity to mobilize, retain and restructure (as appropriate) a team with adequate skills and expertise and that is able to operationalise the Cooperative to facilitate its establishment as an independent organisation with recognised capacity and capability.
- Understanding of the establishment of special purpose vehicles, public-private trusts, or similar to accomplish development results.
- SP will require a good combination of expertise from the team in areas such as: administration; leadership and team management; policy development and influence; institutional development; programme implementation, M&E; funds and risks management;
- Knowledge and experience of delivering management and financial capacity support in a similar context.
- Working experience of operations management in an organisation similar to FSDMoc would be an added advantage
- Understanding of the M4P Approach and development of Theory of change for a long-term project
- Experience in working with multiple Donor funds especially DFID and SIDA Funded Projects
- Supplier must demonstrate they have experience of working in a similar context, and in ensuring skills transfer and sustainability.
- Ability to communicate verbally and in writing in both Portuguese and English is essential.

8. Extension and scale up

While a programme extension is not envisioned at the present time, if COVID19 impact persists or worsens, provisions will be considered for a possible increase in the budget by 50% maximum and a time extension of up to 2 years, both subject to approval.

9. Timeframe and Decision Points

This is up to 12 months assignment with bi-weekly check-ins in the first quarter. The decisions on whether to move to a phase where Cooperative is functioning independently will depend on the achieved results and assessed risks as demonstrated at the end of month 3.

10. Contract Management and Payment Structure

As indicated within clause 4 above, the total value of this contract is up to a maximum of £2.69 million. This total amount includes Suppliers' fees/expenses, any applicable taxes and monies to be spent directly on

technical assistance and capacity building activities to the FSDMoc and related logistics costs. It also includes an initial budget for delivery of the first tranches of work under the new FSD 2.0 programme.

This contract will be a Payment by Results contract with payments being made for progress against proposed milestones on a quarterly basis with relevant means of verification, to reach the planned outputs within the timeline of the contract. The supplier will propose milestones in both their technical and financial proposals that demonstrate a clear path to the full operation of the Cooperative. A set of Key Performance Indicators will be agreed within one month of the start up date.

11. Coordination and Reporting

The SP will monitor and report on spend and results. The SP will report to and is principally accountable for delivery to DFID. The SP will coordinate with FSDMoc when monitoring on progress. Reporting to DFID will be done against the agreed work plan and budget.

In the event that it is agreed with the SP that other donors join this delivery modality by delegating cooperation to DFID, the SP in discussions DFID, all participating donors and FSDMoc will revise the work-plan and deliverables accordingly and will report against the jointly revised work-plan under the same contractual terms.

DFID will be responsible for oversight of this assignment through the Senior Responsible Officer (SRO) of the FSDMoc programme.

Throughout implementation the SP will submit:

- Monthly report on progress of activities and financial execution; the reports should include sections on progress against work plans and logframe targets, updates on risks, update the supply chain, VfM and monitoring and learning, an updated financial statement including spend against budget lines, performance against KPIs, updates on team including any short-term consultant inputs over the period. The reports should also reflect on challenges, recommendations and learning objectives for the subsequent period and with reference to the programme's theory of change;
- Monthly progress review meetings with DFID to discuss progress revisit the theory of change and plan next activities, monthly (or as deemed appropriate) progress meetings with FSDMoc, and debriefs to other donors as required. The SP will be expected to keep DFID informed of other key meetings and activities during implementation and participate in more regular meetings to update DFID on activities.
- An independent financial audit of the project completed by a recognised auditing firm. ToRs should be shared and agreed with DFID prior to initiating the audit.
- Exit Plan, submitted before termination of the contract.

12. Disability and Inclusion

The SP shall outline in their proposal how they intend to design, develop and implement the project in ways that take into account the needs and capabilities of people with disability and other vulnerable groups. The SP shall also include details of how they will encourage inclusive stakeholder engagement processes to ensure marginalised and vulnerable groups benefit from the programme where possible.

13. End of Contract Activities

Two months before the expiry date of the contract the SP will prepare for DFID approval, a draft Exit Plan which shall include plans for:

- i. disposal for all assets procured throughout the lifetime of the programme in accordance with DFID procedures on asset management
- ii. addressing any material items that are necessary or desirable for the continued co-operation of the UK Government after the contract ends;
- iii. ensuring the smooth transfer of responsibilities from the SP to any persons or organisations taking over such responsibilities after the contract ends;
- iv. delivering to DFID (if requested or as otherwise directed by DFID) prior to the contract end date (or termination of the contract) any finished work or unfinished materials or work-in-progress which relate to the contract;
- v. providing DFID before the contract ends a summary of the status and next steps in relation to any on-going projects or other material and unfinished activities being conducted or monitored by the SP;
- vi. returning all confidential information to DFID before the contract end date.

14. Transparency

DFID requires Suppliers receiving and managing funds to release data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

It is a contractual requirement for all Suppliers to comply with this approach, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this to DFID. Further information is available from the International Aid Transparency Initiative (IATI): www.aidtransparency.net.

15. UK Aid Branding

Suppliers that receive funding from DFID must use the UK aid logo on their development programmes to be transparent and acknowledge that they are funded by UK taxpayers. Suppliers should also acknowledge funding from the UK government in broader communications, but no publicity is to be given to this Contract without the prior written consent of DFID. The Supplier must adhere to UK aid branding guidance. For more information see: www.gov.uk/government/publications/uk-aid-standards-for-using-the-logo

16. Digital

Suppliers that receive funding from DFID must follow UK Government's and DFID's standards for the use of digital in international development programmes. Details are available here: www.gov.uk/government/publications/guidance-on-digital-spend-advice-and-controls-for-dfid-partners-and-Suppliers

17. Do No Harm

DFID requires assurances regarding protection from violence, exploitation and abuse through involvement, directly or indirectly, with DFID Suppliers and programmes. This includes sexual exploitation and abuse but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

The Supplier will be required to include a statement that they have duty of care to project stakeholders and their own staff, and that they will comply with the ethics principles in all activities. Their adherence to this duty of care, including reporting and addressing incidences, should be included in both regular and annual reporting to DFID.

A commitment to the ethical design and delivery of evaluations including the duty of care to informants, other programme stakeholders and their own staff must be demonstrated.

DFID does not envisage the necessity to conduct any environmental impact assessment for the implementation of this project. It is, nonetheless, important to adhere to principles of “Do No Harm” to the environment.

18. Duty of care

This assignment will take place primarily in Mozambique. The Duty of care for Mozambique is attached.

The Supplier is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

DFID will share available information with the Supplier on security status and developments in-country where appropriate. In particular, DFID will provide:

- A security briefing by the British High Commission to Supplier Personnel on arrival for the inception phase. All such Personnel must register with their respective Embassies / High Commissions to ensure that they are included in emergency procedures;
- The updated country risk matrix

The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

The security situation is subject to change. The Supplier should be comfortable working in such an environment and should be capable of deploying to any areas required within the region in order to deliver the Contract.

The Supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their Personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the Contract (such as working in dangerous, fragile and hostile environments etc.). The Supplier must ensure their Personnel receive the required level of training and safety in the field training prior to deployment.

Bidders must develop their Tender on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix developed by DFID. They must confirm in their Tender that:

- They fully accept responsibility for Security and Duty of Care.
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your Tender will be viewed as non-compliant and excluded from further evaluation.

Acceptance of responsibility must be supported with evidence of capability and DFID reserves the right to clarify any aspect of this evidence. In providing evidence Bidders should consider the following questions:

- i. Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?
- ii. Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
- iii. Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
- iv. Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
- v. Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
- vi. Have you appropriate systems in place to manage an emergency / incident if one arises?

19. General Data Protection Regulations (GDPR)

DFID and the Supplier acknowledge that for the purposes of the Data Protection Legislation, the status detailed in Appendix 1: Schedule of Processing Personal Data Subjects will apply to personal data under this contract

Duty of Care Summary Risk Assessment Matrix

The Supplier is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property. DFID will share available information with the Supplier on security status and developments in-country where appropriate.

The Supplier is responsible for ensuring appropriate safety and security briefings for all their Personnel working under this contract. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

Theme	DFID Risk score
OVERALL RATING	3
FCO travel advice	3
Host nation travel advice	Not available
Transportation	3
Security	3
Civil unrest	3
Violence/crime	3*
Espionage	2
Terrorism	3(significantly HIGHER in certain areas of the country – may be AMBER area as per Travel Advice)
War	3**
Hurricane	3*****
Earthquake	1
Flood	2***
Medical Services	4****

1 Very low risk	2 Low risk	3 Medium risk	4 High risk	5 Very high risk
Low		Medium	High risk	

*.Most cases will go unreported and unknown to the authorities and public. Street crime is a risk in parts of Maputo and other cities. Car-jackings and house robberies are infrequent but do occur.

** A permanent ceasefire accord between Renamo and the Government of Mozambique was signed in August 2019. However, attacks are still taking place in the central region in the provinces of Sofala and Manica (see our Travel Advice on the link below).

Up to the north of the country in Cabo Delgado province, violent conflicts are taking place and there's no clear information of the reasons behind it and the Government has been minimising the impact. However, this is unlikely to escalate to a full-blown civil war.

*** Continuous torrential rains for over two weeks are being experienced in the north of the country and this has resulted in a cut off of the northern Cabo Delgado province in the following areas: flood waters washed out pillars causing several sections of a major bridge over Montepuez river in **Quissanga district** to collapse. The rains also washed out a bridge over the Messalo river in **Muidumbe district**.

Serious flooding happens in two to three years intervals in the following areas: Inkomati and Limpopo Rivers in the south; Zambeze valley in the central region, Messalo and Megaruma rivers in the north.

**** 3 in major cities (Maputo/Matola, Beira and Nampula) and 4 in other cities, outside villages and provinces (Inhambane/Gaza/Manica/Tete/Lichinga e Pemba).

***** Recently cyclones Idai and Keneth hit heavily the central provinces of Sofala, Nampula and Cabo Delgado. Due to its geographical localization Mozambique may be affected by other cyclones in future.

For further information please consult the FCO travel advice:

<https://www.gov.uk/foreign-travel-advice>

Appendix 1: Schedule of Processing, Personal Data and Data Subjects

The completed schedule is agreed formally as part of the contract with DFID and any changes to the content of this schedule must be agreed formally with DFID under a Contract Variation.

Description	Details
Identity of the Controller and Processor for each Category of Data Subject	<p>The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this contract:</p> <ol style="list-style-type: none"> 1) The Parties acknowledge that Clause 33.2 and 33.4 (Section 2 of the contract) shall not apply for the purposes of the Data Protection Legislation as the Parties are independent Controllers in accordance with Clause 33.3 in respect of Personal Data necessary for the administration and / or fulfilment of this contract. 2) For the avoidance of doubt the Supplier shall provide anonymised data sets for the purposes of reporting on this project and so DFID shall not be a Processor in respect of Personal Data necessary for the administration and / or fulfilment of this contract.

Appendix 2: Overview of DFID's Due Diligence Assessment (DDA) focus areas

Questions for DDA are grouped under four broad pillars. A short description and rationale is provided below for each pillar and Annex B identifies the topics included in each pillar.

Pillar one: Governance and Internal Control

This section covers corporate governance, which encompasses a variety of measures and is the system by which organisations are directed and controlled therefore questions should be designed to gather assurance about the oversight structure and its effective operation.

Pillar two: Ability to Deliver

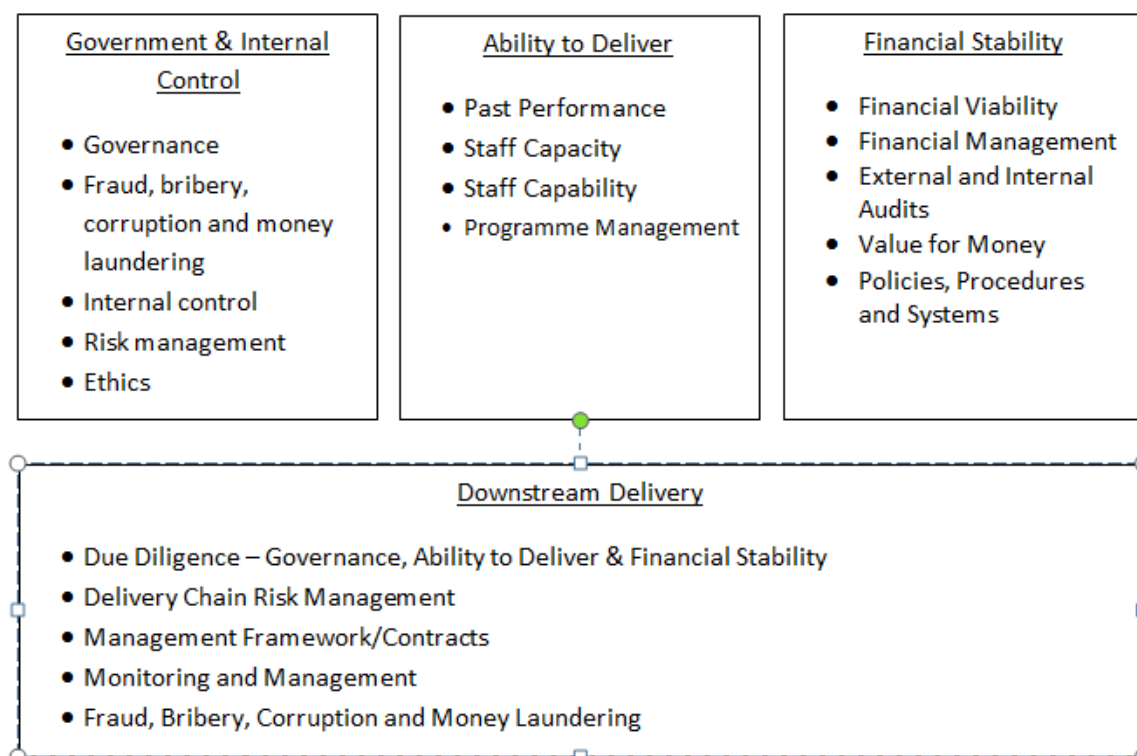
In this section questions are designed to establish that the partner is able to deliver programmes of the type, size and complexity of the one proposed.

Pillar three: Financial Stability

It is fundamental to have a sound and stable financial system to support the efficient allocation of resources. Questions in this pillar are designed to establish assurance that sound financial controls are in place and are operating as designed.

Pillar four: Downstream Delivery

In order to support implementing partners, DFID must make clear its expectations about risk management and how due diligence should be cascaded further down the chain.



Appendix 3

FSD AFRICA BUSINESS CASE ADDENDUM

DFID Mozambique

COUNTRY'S FINANCIAL DEVELOPMENT STAGE

Mozambique GDP growth expanded at an annual average rate of 7.2% percent between 2000 and 2016, making it one of the fastest-growing countries in Sub-Saharan Africa. The economic expansion has boosted incomes and living standards. Growth has been supported by rebounding agricultural transport, communications and financial services sectors; bolstered by relatively stable economic performance large-scale foreign investments projects and significant donor support. More recently, however, growth slowed to 1.8% in 2018 and is expected to remain relatively slow (3.3%) in 2019 due to occurrence of cyclones in March 2019, macroeconomic factors, decreased public investment, and discovery of hidden external loans of \$2bn which significantly affected fiscal and monetary indicators.

Within this context, **Mozambique remains the seventh poorest country in the world and at the bottom of human development index** (185th HDI, out of 187 countries). The national poverty headcount sharply declined from 69% in 1997 to 54% in 2003 but has stagnated at 50%. There is little evidence that the income distribution has changed dramatically, and most of the rural population still live on less than £0.44 a day, lack basic services such as clean water supplies, and access to health facilities and schools. Poverty remains concentrated in rural areas, and girls disproportionately affected.

In recent years Mozambique has made significant progress toward developing and strengthening the financial sector and improving central bank operations. The authorities have implemented a comprehensive financial sector reform program, they promulgated new laws strengthening bank supervision; introduced International Financial Reporting Standards (IFRS) for banks; and laid the foundations for risk-based supervision.

However, progress in financial deepening has been less satisfactory. While the ratio of private credit to GDP has increased rapidly, this was from a very low base, and credit is still relatively low in comparison to similar countries. Most of the population and businesses do not have access to financial services, 60% of adult population is excluded from the financial sector of which 62% are women and 69% live in rural areas².

At 28% average commercial bank lending rates in Mozambique are excessively high for most of the private sector and remain above peer countries. As a result, access to finance, particularly for SMEs and agriculture producers, is constrained. The lending–deposit spread increased to 10.6% in 2017 from an average of 6.2% in 2010–2015, higher than regional and income group medians. The spread reflects structural issues such as high operating costs, lack of credit information, limited availability of collateral and limited competition. NPLs increased to 10.6% by end-2017 from 4.3% in 2015. Lending to agriculture has fallen from 20% in 2000 to 6% in 2010. Based on the 2008 survey for agriculture, only 2.7% of farmers had access to credit mainly due to lack of collateral³ and high interest rates. In urban areas, lack of housing finance is also a major problem resulting in shortage of affordable houses.

Digital finance is emerging with the rapid growth of mobile money accounts, which are helping improve access to financial services particularly in urban areas. According to the IMF Financial Access Survey, in 2016 there were more individuals with mobile money accounts than those with a bank account (370 Vs 332 accounts per 1,000 adults). However, ownership of accounts does not translate into usage. According to the Findex 2017 survey, only 22% of adults use a mobile phone or the Internet to access an account. Women make less use of digital banking financial services compared to men but use more (21%) informal financial products compared to men (18%). Less than 10% of women have savings products from a bank compared to 21% who use savings groups for savings as well as loans.

The insurance sector is small and highly concentrated. Insurance penetration is low with 4 of the 19 licensed insurance companies accounting for 87% of premiums issued. Most coverage is of general, mandatory products (third party motor, workers compensation, etc.). The *Instituto de Supervisão de Seguros de Moçambique* (ISSM) supervises

² FINScope 2014

³ The newly approved law (published on 28th December 2018) on movable assets may reduce this challenge.

the insurance sector but lacks independence as most regulatory decisions, including sanctions are referred to the Minister of Economy and Finance.

The number of women with bank accounts is increasing but the gender gap between men remains high; women are particularly active in informal financial systems named *xitique* (informal savings and credit) and ASCAS (Rotative Savings and Credit Scheme) where memberships have more than double since 2009.

FSD PROGRAMME, ACHIEVEMENTS AND LESSONS TO DATE

DFID has been supporting the financial sector in Mozambique since 2013 through a programme which aims to increase access and improve the quality of financial services for more than 2.5 million people, and one thousand Micro Small Medium Enterprises (MSME) by March 2020. Through FSDMoç, the UK has provided £13.5 million and Swedish Sida £3.6m to provide greater access to financial services for more men, women and businesses in Mozambique, particularly in rural areas. FSDMoç has provided support for: (i) policy reforms; ii) financial infrastructure to expand access to financial platforms such as mobile banking and mobile money; and (iii) the development of new financial products, such as savings, insurance, tailored to the rural poor. Through a competitive process, DAI was selected as the program implementor and ensured that DFID procedures were respected. Key results so far are: (i) 1.5 million unbanked people using new or additional financial products, of which 1.3 million people using financial services via mobile money; (ii) 1100 SMEs financially included; (iii) 14000 people reached through agent banking and; (iv) 3800 people reached through informal savings groups. Overall, projects are achieving their intended outcomes. FSDMoç developed the Gender Equality and Social Inclusion Strategy (GESI) to ensure the programme delivers equitable and fair access and usage of financial products and services to women, men, youth and people living with disability. The program has scored A on performance in successive Annual Reviews with moderate risk.

FSDMoç activities have generated a strong evidence base and developed a network of relationships from which the next phase of the programme could benefit, building on the following:

- The successful adoption of the PAYGO model by companies allowing customers to overcome the challenge of high upfront costs for off-grid electricity and irrigation systems. There is potential to extend this model to other basic services like education and water as well as payment in humanitarian contexts, with the possibility to extend to neighboring countries.
- **Ongoing partnership with the Central Bank which has led to the establishment of the Regulatory Sandbox:** This initiative is promoting innovation developed by Fintech companies, under the supervision of the central bank, to strengthen the regulatory approaches necessary to be supportive and adaptive to those innovations. FSDMoç is also building the Fintech Ecosystem through establishment of Fintech Association.
- **Unleashing the power of data:** through FSD interventions it became evident that data availability and accuracy are essential for Development Financial Institutions planning and decision making. More specifically data produced from GIS work may influence decision on new product development, policy or regulation changes which will ultimately impact on final beneficiaries, e.g. georeferenced data is useful to identify places with no financial access.
- **Bank and non-bank agent networks:** Recognizing that agent networks can play an important role in reaching the financially excluded, especially in rural and peri-urban areas, FSDMoç supported the expansion of bank and non-bank agent networks. The non-bank agent model has proved to be successful, whereas the expansion of bank agent models is still limited, and regulation is not yet adapted for this category. As a result, FSDMoç conducted a study to understand the ecosystem and inform regulators and other players, on the agent models suitable for Mozambique considering the digital environment.
- **Fostering Innovation and expansion:** the extensive work on innovation including building capacity to understand financial inclusion in the digital era, as well as cashless alternatives for consumers through education and awareness of digital financial services; supporting Fintech start-ups and innovators; engage regulators to build capacity to respond innovation; climate finance and housing.
- Facilitation of the process of building **alternative financing instruments for SMEs:** support the design of new types of debt instruments (municipality, green bonds) and strengthen the development of the capital market ecosystem.
- There is a need to continue influencing central bank and **foster interoperability** with other players in the ecosystem, including agents and payment providers. FSDMoç will continue play its facilitation role in the creating a multilateral interoperability between bank, and mobile money operators (MMOs) and other key players in this area.

WHAT MORE NEEDS TO BE DONE?

The need to expand levels of people and companies' access to formal financial services in Mozambique has always been part of the Government economic policies. Its relevance has been growing, as the role that financial

inclusion plays in stimulating financial savings is recognized at the global level, to finance the economy and, consequently, expanding economic activities, income generation and poverty reduction. In the last five years the Government has developed several policies including the Government Plan 2014/19, Financial Sector Development Strategy 2013/23 and the National Strategy for Financial Inclusion (ENIF) 2016/22 and is open to implement necessary reforms to enable environment for financial transactions. However, reforms can be slow and Government post October elections may prioritize other of reforms.

The financial sector is a priority sector in the UK Prosperity Strategy for Mozambique and has been identified in the Country Development Diagnostic as one of the main sectors to unlock Mozambique development. DFID Mozambique support to financing the agricultural sector is one of the priorities for DFID Mozambique business plan in line with the Government of Mozambique's vision for economic transformation. Other key donors are also looking to support FSDMoç going forward. KfW acknowledges the need for a solid and efficient financial system, focusing its support on private sector development and increase of income, with emphasis on MSMEs in rural areas and the agriculture sector. Sweden included FSDMoç program in the country strategy under the pillar "Better opportunities and tools to enable poor people to improve their living conditions", looking particularly at "Increased access to services and support for women and young people in rural areas".

Constraints:

8. **Low levels of financial literacy and market education** – this includes consumers but also regulators and industry players. There is limited understanding of financial services and investment products beyond the basic ones. There are no functional consumer protection mechanisms nor literacy and market education driven by the market.
9. **High interest rates constrain access to finance, particularly for SMEs and agriculture producers** - The real cost of borrowing in Mozambique is high compared to peer countries.
10. **Weak regulatory capacity and coordination:** For instance, in the capital market, there is low level of coordination between the Ministry of Economy and Finance, the Central Bank and the Stock Exchange. Although a MoU signed between the central bank and the Telecom regulator exists, there is still a need for ongoing coordination between telecommunication and financial sector regulators to take advantage to benefit from the existing technological developments in the telecom sector, considering the importance of Digital Financial Services (DFS) on the acceleration of financial inclusion.
11. **Lack of appropriate products that meet customer needs:** for example, in the insurance sector there is low capacity of the regulator to catalyse the development of microinsurance products. Moreover, there is weak capacity of Financial Service Providers to design digital financial services/products oriented to consumer needs.
12. **No clear approach from Government and different stakeholders on how to use the enormous potential of informal savings groups** as a mechanism for financial inclusion, especially in rural areas – these groups cover most of women in rural areas and can be used as a tool for female economic empowerment and capacity building tool for community development.
13. **The low access to a national ID and other documentation required to open bank accounts** represent a key constraint for expansion of financial services to target groups, particularly in rural areas.
14. **The lack of a Digital ID, including the absence of a unique citizen identification number** is a foundational identification for the digital economy and has implications for financial inclusion, integrity and stability.
15. **Lack of intermediation of funds for SMEs**, which is non-bank based and can channel funds that are adequate to meet these enterprises' needs, particularly in the agricultural sector.

Opportunities:

- **Investment:** The government of Mozambique is increasingly aware of capital market development as an alternative for finance. FSDMoc, with support from FSDA, is developing 10-year master plan for the capital market which will be useful to determine initiatives for Ministry of Economy and Finance to establish a capital market independent supervision authority.
- **Access/Usage:** There is a need to reach vulnerable people with physical impairment through innovative and accessible products and services that will be used to influence inclusive policies. FSDMoç will address financial inclusion through usage and access of financial services with emphasis on digitalization as a mechanism to reach excluded people from financial and basic services.
- **Stability and Integrity:** the work on data privacy protection and usage as well as consumer protection is essential for enabling stability and integrity of the Mozambican financial market. It is commonly assumed that digital ID will create a foundation to strengthen financial integrity.
- **Innovation** - high levels of mobile phone penetration create opportunities to expand digital financial services, especially for the hard to reach rural population. Continue exploring Fintech, ensure that the regulation is conducive to development of innovative solutions in diverse areas, including remittances transfer; Involve academic community to strengthen DFS professionals on skills and technologies.

Additionality of FSD Mozambique:

DFID and other donors have been working in the financial sector in Mozambique collaborating and distinctively.

The World Bank and African Development Bank are focused on technical assistance to Government on policy and reforms, other bilateral donors have individual interventions and DFID has created FSDMoç. FSDMoç activities have evolved over recent years from facilitator role to become an advisor and reference on financial inclusion working in close collaboration with the Central Bank on the country's financial inclusion strategy. Its international network of FSD programmes in different countries is a natural and competitive advantage which places FSDMoç as the ideal mechanism to centralise, discuss and continue addressing financial inclusion in Mozambique. FSDMoç is one of the implementing bodies⁴ of SADC financial inclusion strategy.

Expected Outcomes:

(i) Increased and diversified coverage of an appropriate range of financial services to vulnerable and remote populations; **(ii)** Improved consumers' trust and awareness regarding the financial sector; **(iii)** Development of market finance and digital financial products/services such as sovereign, municipal and green/blue bonds, climate and insurance products; **(iv)** Improved access to credit and insurance services for SMEs; and **(v)** Improved availability of financing mechanisms for agriculture.

Key risks: A major risk for this programme will be the deterioration of the macroeconomic conditions in Mozambique⁵. If the external debt contracted in 2016 is not well managed it may result in a downgrading of country sovereign credit risk rating, with further repercussions in the financial sector. Other possible risks are slow pace of Government reforms. It is also worth mentioning possible delays in the establishment of new legal institution (FSDMoç Foundation) due to ambiguity in current law which does not specify the Government body to approve Foundations. A medium risk of not having in place the Governance structure of Foundation due to transition difficulties from FSDMoç as a project to FSDMoç Foundation and a possible risk of fraud since the program management will change from DAI to another entity.

Mitigation: DFID Mozambique works on public financial management and tax, and its multilateral partners work to mitigate the likelihood of macroeconomic shocks. DFID works in sectors such as electricity, water and sanitation, youth which will help to achieve real sector objectives and contribute to the selected SDGs. DFID, KfW, Sweden and FSDMoç are working with Government to seek for alternative solutions for timely legal approval of the Foundation and KfW is leading on the consultancy services to design the appropriate governance structure for the foundation. To ease fraud risk there is a need to perform due diligences, follow closely systems in place for new entity and ensure that systems are fully compliant with DFID systems including safeguarding.

PROPOSED INTERVENTIONS UNDER FSD 2.0

FSDMoç will continue to guide its interventions through strategic partnerships to offer financial services and products developed through comprehensive research, a challenge fund and the HCD approach. Cross cutting initiatives will include gender, policy and regulations, financial and digital literacy and innovation aiming at contributing to achieve the SDGs in Mozambique. The FSD 2.0 programming will be aligned with the three levels of financial inclusion (access, usage/adoption and quality of life) and with the Mozambican government and UK/DFID development priorities, as well as with other financial sector priorities, including financial access, stability, integrity and investment.

⁴ SADC bank association, SADC Central bank governors committee and FSDs of different countries

⁵ The cyclones reduced the economic growth forecast from 3.3% to 1.8% and primary balance after grants from -1.4% to -2.5% of GDP. Annual inflation is now forecasted at below 5% which allowed the central bank to reduce the interest rate from 14.25% to 12.75%.

DFID Areas	Description	Proposed Activity
Finance for Investment	Agriculture (whole value chain), commerce (trade) and housing finance were identified as areas that can contribute to the inclusive growth. Climate change will be implemented in collaboration with all FSDs as crosscutting area within FSD Network. All the activities are linked to the SDGs particularly related to inclusive growth to drive progressive change with impact on poverty reduction and prosperity.	<ul style="list-style-type: none"> Creation and implementation of a master plan for capital market development Facilitate development of new capital markets products (municipality bonds, green/blue bonds, financial instruments for climate change); Implement the ISSM insurance roadmap aiming for more products being delivered in the market; Develop a supply chain finance model for agriculture; Promote the development of affordable housing finance products; Alternative financing mechanisms - crowd in finance model, capital markets, private equity, factoring, invoice discount, crowdfunding, asset finance; Provision of Technical Assistance and capacity building of financial service providers; Conduct studies to understand financial needs of the low-income groups to inform product design.
Finance for Access/usage	Interventions to improve access and use will focus on the following areas: agriculture, basic services (water, education, energy, etc.), commerce, and housing finance and will allow that farmers, SMEs, women, youth and people with disabilities have access to affordable financial services. (<i>Basic services and inclusive Growth</i>)	<ul style="list-style-type: none"> Improve access for SMEs especially to credit and insurance (e.g. working with insurance companies, agriculture funds, microfinance institutions, etc.); Expand digital solutions for payments to different sectors including humanitarian cash transfers, pay as you go on water (including irrigation), education and energy sectors; Strengthen informal savings groups and use the platform as vehicle for women economic empowerment and to implement selected SDGs at community level; Support creation of appropriate financial products and services for people with impairment and climate change sensitive; Reinforce the activities of financial and digital literacy to ensure uptake of investments. Provision of Technical Assistance and capacity building of financial service providers; Conduct studies to understand financial needs of the low-income groups to inform product design.
Financial Integrity	The interventions will have an impact in all sectors. (<i>sustainable future</i>)	<ul style="list-style-type: none"> Support the development of policies to implement digital ID to ensure confidentiality, transparency and consumer protection Strengthen mechanisms to facilitate the easy identification of licit and illicit digital financial transactions; Support interventions on data improvement and protection. Continue facilitating implementation of cybersecurity (Telecom, financial); Continue working on the establishment of Tiered E-KYC (know your costumer) for different amounts and risks Promote affordable products and services as well as transactional costs; Implementation of new agent networking models; Deliver capacity building in matters related to financial security.
Financial Stability	The interventions will have an impact in all sectors. (<i>inclusive growth and basic services, sustainable future</i>)	<ul style="list-style-type: none"> Continue working with the central bank for the regulation of fintech's and agent networks; Work with the insurance regulator to create an enabling environment for the development of digital solutions for insurance. Tiered KYC for different amounts and risks. Work with regulators to define pricing for financial service providers products and incentive models for agents; Support improvement of regulation to allow development of innovative solutions; Capacity building of the consumer protection regulators and policy makers to improve their skills; Work with regulators and policy makers to design appropriate regulations considering climate change and green finance, considering the 4 P's (Provision, Promotion, Prevention and Protection); Conduct studies to understand financial needs of the low-income groups to inform policy design.
Infra-structure for Innovation	The interventions will have an impact in all sectors. (<i>inclusive growth and basic services, sustainable future</i>)	<ul style="list-style-type: none"> Push the growth of fintech ecosystem to accelerate financial inclusion. Continue support to fintech companies on business development, support to regulators to ensure innovation have conducive legal environment; Engage with the academy to promote capacity building and skills development in 4th industrial revolution technologies at universities; support establishment of fintech association to empower fintech's; Create an infrastructure to promote cross border trade and remittances as well as the promotion of e-commerce; Strengthen the establishment of the fintech ecosystem; Conduct studies to understand financial needs of the low-income groups to inform product design.

Opportunities for deepening the FSD Network collaboration

- A MoU was signed between the Ministry of Economy and Finance, FSDA, and FSDMOç, aiming to support the development of a capital market master plan. FSDMOç will continue to support the Mozambique Stock Exchange, particularly in the provision of new/improved innovative stock exchange products.
- In future, there may be opportunities for collaboration with other FSDs in the region especially on trade, cross border remittances and e-commerce. FSDMOç will continue to collaborate with the network to mainstream gender, youth and people with impairment within each partners' strategies, including the Central Bank to advance gender inclusive finance.
- Under the FSDAfrica partnership to advance gender inclusive finance, FSD Network prepared a joint proposal on Gender submitted to the Bill and Melinda Gates Foundation and all FSDs collaborated in the development of the proposal submitted by FSDA. FSDMOç received support of FSDA and FSD Zambia to develop its GESI strategy.
- FSD Network provides support to strengthen capacities of FSDs such as: (1) monitoring and result measurement (MRM), (2) VfM framework and guidelines (3) Training on DFS and Making Markets Work for the Poor (M4P).

Local Governance Arrangements

The recommended delivery model is to set up a legal independent institution which will be able to receive funds from donors as well as raise funds on its own. Currently, FSDMOç Foundation is in the process of setting up, awaiting Government approval. Regarding the operation models of this Foundation, DFID together with KfW and Sweden have requested an independent consultant to provide alternatives for a governance model that will best fit FSD 2.0 vision, in line with the Mozambican regulation. The Foundation will enable FSDMOç to continue to be a reference in the financial sector by delivering advisory, facilitating and implementing roles, working at micro, meso and macro levels with different stakeholders. It also ensures that there is a local in-depth understanding, relationship and the ability to bring in international specialist perspectives through the FSD Network collaboration.

EXPECTED RESULTS

Indicator definition	3 years	5 years
1. Number of people through FSD's support, able to access basic services from a private or public service provision system for basic human needs including housing, drinking water, sanitation and hygiene, energy, mobility, waste collection, health care, education and information technologies.	*1,000,000	*1,200,000
2. Public and private sector funds (GBP) crowded into investments or grant initiatives or partnership as a result of FSDMOç intervention (This indicator will provide the total amount of funding leveraged by FSDMOç activities/initiatives)	800,000	1,750,000
3. Number of SMEs with access to alternative finance and account at a bank or other FSP; with an account at a payments service provider; use a remittance channel; have a loan or credit line, green bond, capital market, supply chain finance, credit insurance, or have an insurance policy supported by FSDMOç	2,000	7,000
4. Number of direct FTE (Full Time Equivalent) jobs created/sustained through FSD support to (i) MSMEs; (ii) agricultural value chains; (iii) housing value chains (iv) health value chains; (v) other (to specify)	**5,000	**10,500
5. Number of adults and microenterprises with an account at a bank or other FSP, or with an account at a payments service provider, or use a remittance channel, or have a loan or credit line, or have an insurance policy that has been supported by FSD	1,500,000	2,600,000
6. Policies and regulations in place that include rules governing a) inclusive finance AND b) finance for growth.	3	4

Notes:

*Assuming that programme will continue working with informal finance (eg: savings groups) by promoting services to people living with disabilities and improving literacy via digital tools and growth of fintech ecosystem will accelerate financial inclusion by improving the uptake and usage of new products and services.

**The number of FTE jobs is estimated based in the fact that one of the major contributor's sector is agriculture value chain and most of the jobs are seasonal within sector.

THE PROFILE OF ESTIMATED COSTS

DFID Mozambique will not commit funds from the country office. However, at the country level there is a partnership with KfW and Sweden, who have committed to transfer funds to FSDMoç, once a legal independent entity is created.

Financial Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£ m	£ m	£ m	£ m	£ m	£ m
Finance for investment	0.54	0.95	1.09	0.69	0.54	3.81
Financial access	0.63	0.80	0.95	0.59	0.40	3.37
Financial infrastructure for innovation	0.44	0.70	0.92	0.58	0.42	3.06
Financial stability	0.40	0.48	0.57	0.37	0.34	2.16
Financial integrity	0.23	0.39	0.55	0.34	0.31	1.82
Monitoring & Results Measurement	0.12	0.16	0.20	0.13	0.10	0.71
Programme Management for services retained by Country FSD	0.29	0.44	0.55	0.34	0.27	1.89
Total retained by FSD	2.65	3.92	4.83	3.04	2.38	16.83
Centralised services, overhead costs (based on standard %s determined by COOs)	0.040	0.056	0.059	0.037	0.031	0.223
Grand Total	2.69	3.98	4.89	3.08	2.41	17.1
Programmatic funding split:						
Country core	2.17	3.21	3.94	2.49	1.94	13.8
Collaborative working	0.07	0.11	0.114	0.08	0.07	0.47

Indicative cost breakdowns will be revisited during the inception phase and at regular intervals thereafter.

RESOURCES

Country office staff resource commitments: (i) Private Sector Advisor (20% up to June 2020 to support set up, 10% thereafter); (ii) Programme Manager (5%)

Annex B

Proformas

REDACTED