Paraguay

National Financial Inclusion Strategy 2014-2018

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1. Executive Summary

In support of the National Development Plan and in recognition of its commitment to the Maya Declaration process for financial inclusion the Central Bank of Paraguay (BCP), Ministry of Finance (MH), Secretary of Planning (STP), and National Institute of Cooperativism (INCOOP) put forward this National Financial Inclusion Strategy (ENIF for the Spanish name of Estrategia Nacional de Inclusión Financiera). The ultimate goal of this financial inclusion strategy is to reduce poverty and promote economic growth in Paraguay. This can best be accomplished by leveraging the combined power of the private, non-profit, public sectors and civil society to identify realistic targets and work together in a coordinated fashion to achieve them.

An inclusive financial system can help reduce poverty and promote shared prosperity. The availability of affordable credit and holding of liquid savings can lead to greater household and business income security which can help increase consumer/business confidence. This leads to greater consumption and investments and therein economic growth that can move Paraguay from lower-middle income to middle income country status. More importantly, poor and financially vulnerable families can benefit greatly from affordable and secure savings, payment and insurance services.[1] Expanded access to credit may benefit individuals and firms that are not over indebted and have the capacity to productively leverage loans and repay them.

The ENIF encompasses holistic and logical sequence of activities derived from a strong diagnostic base of evidence. Specifically, each thematic area has an associated key performance indicator (KPI), each KPI has a visible and high-impact "quick win" activity that people will be able to see and feel directly. Additional policy actions, 60 in total, are designed to support the changes in these thematic areas and contribute in some part toward achieving the key performance indicators. Figure 1 provides a summary matrix of the ENIF. This is described throughout the strategy in more detail by identifying policy actions attributed to each thematic area and working group. A consolidated list of all policy actions is provided at the end of the document.

[1] Global Financial Development Report: Financial Inclusion 2014. World Bank.

FIGURE 1: Matrix of National Financial Inclusion Strategy

Vision	***Quality and affordable financial services for all people in Paraguay who want them through a diverse and competitive marketplace***						
Objectives	*1) Reduce the financial vulnerabilities of families at the base of the pyramid.* *2) Promote outreach of financial services in a competitive and secure market place.* *3) Aid economic development and growth through MSME and large firm access to financial products.* *4) Promote financial inclusion while maintaining a balance with financial sector stability, integrity and the education/protection of consumers.*						
Thematic Area	Savings	Credit	Insurance	Payments	Financial Ed.	Consumer Protection	Vulnerable Populations
Key Indicator To Achieve by 2018 (percentages are for individuals except where noted)	Increase saving account ownership from 29 percent to 50 percent of the adult population and usage from 14 percent of population saving formally to 30 percent	Increase responsible[2] credit to MSMEs from 30 percent to 40 percent and increase the share of responsible borrowing at formal financial institutions from 23 to 28 percent of adults.	Increase insurance coverage from 26 percent to 36 percent of adults.	Decrease usage of cash/check for salary and wage payments from 76 percent to 20 percent.	Increase the percentage of adults (15+) who reported having received some training / advice or support on how to manage personal finances and administration money from 10% to 20%.	All institutions that provide regulated and non-regulated financial services have and publicize arrangements for customer complaints and queries that take into account the realities of all income groups, including the financial vulnerable.	Extend via cost effective channels financial services to all 69 financially excluded and more populated districts in the country with an emphasis on the 17 vulnerable priority districts that are part of government's plan to end extreme poverty.
Supporting Quick Win	Issue clear guidance on what is and is not needed to open a regular savings account. (FI, R)*	Ensure BCP's and INCOOP's credit risk information systems communicate with each other. (FI, R)	Explore the possibilities of implementing agricultural insurance for small and medium producers. (FI)	Convert 80 percent of all central government's payments to consumers to an electronic means and make 100 percent of all new central government vendor payments via electronic means via any institution authorized for the purpose. (FI, R)	Develop financial education tools, guidelines and content for educational institutions, social service agencies and financial institutions, with an emphasis on vulnerable populations and their characteristics (topics may include credit cards, what are interest payments, loans, savings and insurance).(FE, VP)	*Improve the regulation on transparency of interest rates and fees via a total financial cost initially for credit and for all lenders. (CP, R)*	Leverage the widespread use of mobile phones and coverage of mobile network operators to further expansion of savings among vulnerable populations. (FI – VP).

**Indicates supporting policy action themes: Financial Innovation (FI), Regulation (R)*, *Financial Education (FE)*, *Consumer Protection (CP)*, *Vulnerable Population(VP)*

[2] The term "responsible credit" is used to refer to practices related to assessing a consumer's ability to pay, operating transparently, ethically and in a manner that respects client's privacy and their right to recourse mechanisms.

2. Introduction

A. Financial Inclusion Definition and Vision

The consensus *definition* for the BCP, MH, STP and INCOOP for financial inclusion is:

> The access to and usage of a range of quality, timely, convenient and informed financial services at affordable prices. These services are under appropriate regulation that guarantee consumer protection and promote financial education to improve financial capabilities and rational decision-making by all segments of the population.

With this as the agreed upon definition, the vision of financial inclusion for Paraguay is: *Quality and affordable financial services for all people in Paraguay who want them through a diverse and competitive marketplace.*

For this vision to become a reality it will be essential for the private, non-profit, public and civil society sectors to work together in a coordinated way. This can best be achieved if all parties understand the broader context and rationale for why financial inclusion is critical to Paraguay's growth, how it can reduce poverty and the action plan that will contribute to this. Figure 2 outlines the sequential and logical steps utilized in developing the ENIF.

Figure 2: Framework of the National Financial Inclusion Strategy

B. Rationale and Principles

In 2010 the Group of 20 (G20) countries established a financial inclusion action plan because they recognized the importance of financial services for improving the livelihoods of poor households and supporting micro, small and medium enterprises (MSME) which are often the engines of employment and economic growth.

As part of Paraguay's National Development Plan there is a clear understanding that financial inclusion is one of three necessary components to achieve an inclusive society in Paraguay, the other two components are social and economic inclusions. In this context, social inclusion is the ability of Paraguayan society to meet the basic human needs of its citizens and communities. Economic inclusion requires inclusive growth that creates economic opportunities, promotes employment and equal access while maintaining macroeconomic stability, ensuring competition, freedom of entrepreneurship, and the rational use of resources.

While initially started by the G20, its financial inclusion principles and work of the Global Partnership for Financial Inclusion (GPFI)[3] have been significantly influenced by the work of policy makers in developing countries. For financial inclusion to become a reality in Paraguay, the ENIF seeks to adhere to the following principles for financial inclusion that have been endorsed by the G20.

1. Leadership
Cultivate a broad-based government commitment to financial inclusion to help alleviate poverty.

2. Diversity
Implement policy approaches that promote competition and provide market‐based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance) as well as a diversity of service providers.

3. Innovation
Promote technological and institutional innovation as a means to expand financial system access and usage by addressing infrastructure weaknesses.

4. Protection
Encourage a comprehensive approach to consumer protection that recognizes the roles of government, providers and consumers.

5. Empowerment
Develop financial literacy and financial capability.

6. Cooperation
Create an institutional environment with clear lines of accountability and coordination within government; and also encourage partnerships and direct consultation across government, business and other stakeholders.

7. Knowledge
Utilize improved data to make evidence-based policy, measure progress, and consider an incremental "test and learn" approach acceptable to both regulators and service providers.

8. Proportionality
Build a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services and is based on an understanding of the gaps and barriers in the existing regulation.

9. Framework
Consider the following in the regulatory framework: reflection of international standards, national circumstances and support for a competitive landscape; an appropriate, flexible, risk‐based Anti‐Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market‐based incentives to achieve the long‐term goal of broad interoperability and interconnection.

[3] To learn more about the GPFI see http://www.gpfi.org/

3. Current State of Financial Inclusion in Paraguay – Where are we?

In 2013, the Government of Paraguay started working towards the development of a National Financial Inclusion Strategy first in a initiative of the Central Bank of Paraguay requesting the support of the World Bank and next, forming an interagency technical team that helped draft the financial inclusion survey implemented in Paraguay at the end of that year and promote measures to strengthen the commitment to financial inclusion. In mid-2014 intensive diagnostics, analysis and activity mapping were conducted under the direction of the Financial Inclusion Technical Team.[4] A high-level recap of the financial inclusion environment and major product areas from the National Financial Inclusion Survey 2013 (i.e., demand side), Supply-Side Assessment of Financial Inclusion in Paraguay, Financial Regulation for Financial Inclusion and the Diagnostic Review of Consumer Protection and Financial Literacy in Paraguay is provided below. The intention of this section is to describe the current state of financial inclusion in Paraguay before later determining where we want to get to and how to get there.[5]

A. Financial Inclusion Environment

The National Financial Inclusion Survey (Encuesta de Inclusion Financiera[6] or EIF in Spanish) indicates 58 percent of adults in Paraguay use some sort of formal or commercial financial product to manage their day-to-day finances. This number is largely driven by the strong presence of cooperatives and mobile money providers in Paraguay, which together reach 40 percent of the population. Yet 42 percent of adults remain almost totally excluded from using the financial system. These adults do not have an account at, or borrow, from a formal financial institution, do not have an ATM or credit card, do not use mobile money, do not have insurance, and receive wages and remittances in cash only. These adults – the 'totally excluded' – are disproportionately poor, have a primary education or less, and are unemployed or out of the workforce.

Rural areas of the country have limited access to formal financial services. Bank presence in rural low-access areas has the opportunity to increase rapidly through the use of bank agents, electronic money, and mobile financial services. In addition, 30 percent or 69 of the 224 districts in the country with more than 2,000 inhabitants do not have any bank presence whether through branches, bank agents or ATMs. There are no bank or cooperative branches where 17 percent of the population lives. This describes both the current state of play and the potential for digital financial services and agent banking to reduce the costs associated with serving sparsely populated areas. The lack of bank branches in rural areas is a reflection of the financial challenges of maintaining offices that are less productive in generating loan or savings volumes.

[4] The Technical Team is comprised of representatives from BCP, INCOOP, STP, MH and led by the Executive Secretary.
[5] For a full discussion of these topics please reference the complete technical documents.
[6] The EIF was conducted in November 2013 and consisted of 1,000 nationally representative face-to-face interviews, based on population density, and randomly selected interviewees. The interviews were conducted with person over the age of 15 in 133 sites in Spanish and Guarani languages.

Paraguay is one of the most profitable markets in the world for banking.[7] The average return on asset (ROA) of the banks at the end of 2013 was 2.40 percent and return of equity (ROE) 30.07 percent.[8] The average interest rate spread of banks and finance companies in 2013 was 13.2 percent.[9] In comparison the ROE for all US banks in 2013 was 9.8 percent.[10] This large interest rate spread, low operating costs (2.4 percent of assets), and moderate non-performing loans (i.e. 2.5 percent of total loans as of June 2013) have been the drivers of these high profits. These high levels of profitability were achieved despite liquid assets representing 46.7 percent of deposits in June 2013.[11] Relative to other countries there is not excessive concentration of banking sector assets among a few banks and cooperatives and public banks have 20 percent combined market share. This information suggests there is competition within the banking sector. However, in practice there is little variation in terms of business approaches and there does not appear to be any significant player(s) that has chosen to differentiate itself on either total costs of service or outreach to the unbanked. As such, Paraguay remains a high price and high profit market for retail banking compared to the region and globally. New incentive structures may be required to change this dynamic.

There are 15 private banks and 12 finance companies registered in Paraguay and regulated by the Superintendence of Banks. Of these, three are foreign banks with branches in Paraguay, four foreign-owned banks operating in Paraguay and eight local banks. There are four public financial institutions including Banco Nacional de Fomento, Crédito Agrícola de Habilitación, Fondo Ganadero and Agencia Financiera de Desarrollo. There are 330 cooperatives that intermediate funds as a primary activity and are regulated by INCOOP.

Paraguay has one of the largest financial cooperative systems in the region in terms of the percentage of the population served[12]; cooperatives seem to have more accounts than the banking system. Figure 4 shows a comparison of banks and cooperatives involved in financial intermediation. Although the extent of overlap is not known, there likely are many individuals that hold accounts at multiple banks and/or cooperatives. While much smaller average loan and savings balances at the cooperatives suggests they are serving people of more modest means they do not appear to be serving large number of very low income residents.

Figure 3 provides a summary of financial services providers in Paraguay and how they are structured, regulated, the services provided and footprint.

[7] McKinsey & Company. *Second Annual Review on the Banking Industry.* October 2012.
[8] BCP reported to the World Bank 2014
[9] http://data.worldbank.org/indicator/FR.INR.LNDP
[10] Federal Reserve Economic Data. Federal Reserve Bank of St. Louis. http://research.stlouisfed.org/fred2/series/USNIM
[11] BCP Financial Stability Report 2013. https://www.bcp.gov.py/informe-fsap-i152
[12] Financial cooperatives in Paraguay serve 15.7% of the adult population compared to a regional average of 7.2%. 2013 Statistics Report. World Council.

Figure 3: Supply of Financial Services and the Associated Legal Framework

Financial provider	Ownership	Regulatory status	Range of financial services allowed	Number of providers	Outreach Indicators[13]
First and second tier banks (76% market share of banking sector assets)	Private sector and public sector ownership	Regulated and licensed by BCP. Supervised by SIB.	Checking accounts, savings, term deposits, issue securities loans, leasing, factoring, payments, investments in securities and shares, manage trust funds, foreign exchange operations and loan securitization, money transfers	First tier banks[14]: 16[15] Second tier banks[16]: 1[17] Other public financial providers: 2[18]	Avg Deposit Gs 61.3 million Gs 56 trillion in loans Number of Accounts 993,411 Branches 394
Finance companies (4% market share of banking sector assets)	Private sector and public sector ownership	Regulated and licensed by BCP. Supervised by SIB.	Savings, term deposits, issue securities loans, leasing, factoring, payments, investments in securities and shares, manage trust funds, foreign exchange operations, money transfers	12	112 branches See bank data above
Insurance companies	Private sector and public sector ownership	Regulated and licensed by BCP. Supervised by SIS.	Insurance of individual risks and assets.	35	US$342.4 million in Premiums in 2013
Saving and loan cooperatives (15% market share of banking sector assets) **Type A: assets over US$11 million.**	Members	Regulated and supervised by INCOOP	Savings and loans to members in local currency, investments in securities, leasing, factoring, payments, money transfers, credit cards. Provision of non-financial services. Only for members[19].	330[20]	For all types of cooperatives Avg Deposit Gs 5.1 million

[13] Bank and finance company data is combined under banking section and from 2014.
[14] First tier banks are commercial banks that provide financial services for individuals and enterprises.
[15] Includes 15 private banks and 1 public bank (Banco Nacional de Fomento)
[16] Second tier banks are agencies that only lend to other banks, finance companies and cooperatives using funds from loans provided by multilaterals with state's guarantee, donations, or bonds.
[17] Agencia Financiera de Desarrollo (AFD)
[18] Credito Agricola de Habilitacion and Fondo Ganadero are public financial institutions that provide public specialized credit. These institutions have their own organic laws and are also subject to the Financial Sector Law.
[19] Services to non-members can be implemented with approval of exception from INCOOP.
[20] This number refers to cooperatives whose primary business is financial services according to the Supply Side Technical Note.

Type B: assets between US$1 million to US$11 million.	Members	Regulated and supervised by INCOOP	Savings and loans to members in local currency, investments in securities, leasing, factoring, payments, credit cards. Provision of non-financial services. Only for members.		Gs10 trillion in loans Number of Accounts 1,390,113[21] Branches 490
Type C: assets under US$1 million.	Members	Regulated and supervised by INCOOP	Savings and loans to members in local currency, investments in securities, leasing, factoring, payments. Specific prior authorization for: payments and transfers; credit line intermediation. Credit cards must be issued by Types A or B. Using ATM with Types A or B backup. Provision of non-financial services. Only for members.		
E-payment providers (EMPEs)	Private sector and public sector ownership	Regulated, licensed and supervised by BCP	E-money operations and non-banks e-transfers	N.A. [22]	
Casas de bolsa	Private sector and public sector ownership	Regulated, inscription in registry required at CNV	Buying and selling debt and equity-backed securities	7	
Non-profit microfinance institutions (MFIs)/NGOs	Private sector individuals or entities	No regulation and no supervision	Loans and non-financial services	2	
Casas de crédito	Private sector individuals or entities	No regulation and no supervision	Loans	N.A.	
Casas comerciales	Private sector individuals or entities	No regulation and no supervision	Selling of goods and services on credit.	N.A.	
Pawn-shops	Private sector entities or individuals	Regulated by Ministry of Finance. Licensed and inspected by local municipality.	Loans with pledge on assets	N.A	
Medicina Prepaga / Pre-paid medicine	Private sector individuals or entities	Regulated and supervised	Coverage over future health problems	65	500,000 beneficiaries

[21] For cooperatives this figure is the number of members, not accounts.
[22] BCP is currently in process of analyzing 2 operators that have requested an extension to adjust to the new requirements.

companies		by the Superintendence of Health under the Ministry of Health			
Payment service providers and remittances providers	Private sector entities	No regulation and no supervision, exceptions being AML/CFT regulations issued by SEPRELAD	Payment collection services and sending and receiving remittances	N.A	

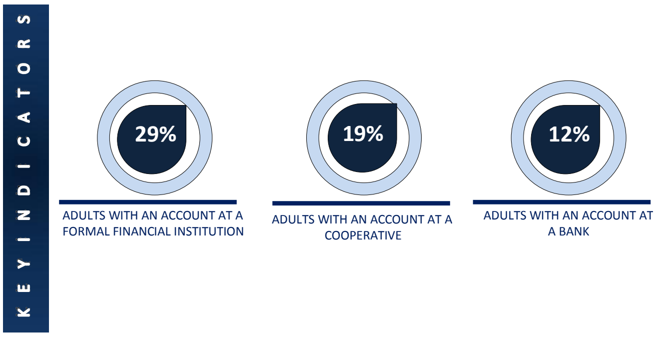
Source: Based on laws and regulations for the financial services and insurance in Paraguay, and findings from Supply-Side and Financial Regulation for Financial Inclusion Technical Notes for additional details.

The BCP is in charge of licensing and prudential oversight of banks, finance and insurance companies, and to a limited extent e-money issuers. INCOOP is the regulatory body of all cooperatives. The Secretary for Consumer Protection (SEDECO) is an umbrella consumer protection regulator whose remit covers all sectors including the financial sector. Neither BCP nor INCOOP has explicit mandate to also include supervision and enforcement of the Consumer Protection Law for their supervised entities.

B. Savings

Only 29 percent of adults in Paraguay report having an account at a formal financial institution -- a commonly used global metric for financial inclusion. Relative to other lower-middle income countries in Latin America financial inclusion in Paraguay is moderately more advanced. However, compared to Latin America and the Caribbean (39 percent), Paraguay is lagging. Regression analysis from the demand side EIF suggests that the largest gaps are across income (17 percent gap), education lines (21 percent gap) and employment categories (20 percent between unemployed and fully employed). The gender gap (females are 2 percent more likely than men to have an account) and urban/rural (urban residents are 4 percent more likely to hold an account) also exist but are not statically significant. Figure 4 highlights the percent of people that have an account with a cooperative, bank and combined.

Figure 4: Account Ownership in Paraguay



Cooperatives play a key role in providing formal financial services to adults in Paraguay. Cooperatives have the broadest reach in providing basic saving and payment services within the formal financial system. Nineteen percent of adults in Paraguay report having an account at a cooperative, as compared to 12 percent for banks.

For the 71 percent of Paraguayan adults – approximately 3.2 million people – who lack a formal account, the main barriers to access are a lack of money (51 percent) and documentation (24 percent). Paraguay has a large informal market and the requirements to show proof of income and employment are significant barriers to financial inclusion as are bureaucracy and excessive costs. Each of these last two reasons is reported by about one in five unbanked Paraguayans. In addition, analysis from the financial inclusion supply side technical note indicates a median minimum balance to open an ordinary savings account (*ahorros a la vista*) at a sample of 20 of the 27 financial entities is 750,000 Gs. which is 42% of the monthly minimum wage set in Paraguay.[23]

Thirty-nine percent of adults in Paraguay have set aside money or saved, either formally or informally. Just 14 percent of all adults report having saved at a formal financial institution. As in many countries, the vast majority of savers in Paraguay choose to store their money at home: 62 percent of savers – or 24 percent of all adults - report having saved at home in the past 12 months. Those who report having confidence in financial institutions are more than twice as likely to save in formal institutions as those who do not. Approximately one-third of adults have borrowed money in the past 12 months, which is above the regional average of 25 percent.

Access to savings products is low. Because of high minimum balances, service fees, and documentation barriers such as proof of income, employment and utility bills low-income people who wish to save do not have many opportunities to do so through formal financial institutions.

[23] The minimum wage in Paraguay since March 2014 is around 1.8 million Gs or $411 USD per month

Basic accounts could potentially tap into this gap in the savings market. However, adoption by the financial institutions of the basic account (*cuentas basicas*) has been slow. Six banks have submitted their account disclosures to BCP and received approval to offer basic accounts. Of those offering the product, training and promotion in branches is lagging in part because of fee and business model limitations with the basic accounts.

Together with finance companies, banks hold only 42 percent of the deposit accounts in the country, but 89 percent of deposits in volume. Cooperatives hold 58 percent of the formal deposit accounts in the country, but only 11 percent of the deposits by value thus indicative of their focus on consumer finances.

Deposit insurance exists for bank and finance companies up to 75 times monthly wages (i.e., US$30,000). A deposit insurance scheme to protect members of savings and credit cooperatives against a potential loss of their savings in case of the cooperative's bankruptcy is not yet in place. In November 2013 INCOOP introduced new regulatory requirements on capital, liquidity and deposit concentration limits for cooperatives that have savings and credit as their primary activity. These new rules are proportional in nature and improve some of the regulatory gaps that existed. Despite having more deposit accounts than the banks and finance companies, cooperatives still do not have deposit insurance. As INCOOP's new regulations are implemented over the next 18 months and the sector is strengthened a separate deposit insurance scheme from banks is planned for cooperatives.

C. Credit

Overall, 34 percent of Paraguayan adults report some type of borrowing in the past year. Cooperatives are also the most widely reported source of consumer credit. Thirteen percent of adults report having borrowed from a cooperative in the past year compared to 8 percent from banks.

Approximately 30 percent of SMEs have borrowed money to finance their operations. According to the National Economic Census 2011, only 27 percent of microenterprises in the country have formal credit. This is in part due to the documentation requirements and on-site supervision techniques that focus on documentation as opposed to cash flow analysis and repayment methodologies. When looking at only rural agriculture microenterprises, or family farms,[24] this number falls to only 15.9 percent.

Of those that do not have a loan approximately half of such businesses would like to borrow money for their businesses.[25] This suggests 64 percent of 1.1 million businesses have a demand for loans. Banks and finance companies also hold 84 percent of the loans in value and cooperatives hold 16 percent.

One in ten adults report having borrowed in the past year for health purposes, more than any other reason listed. These results suggest that considerable work

[24] Family farms are classified by the Ministry of Agriculture as farms with less than 20 hectares.
[25] See *http://www.dgeec.gov.py/censo/index.php*

remains to be done in expanding access to products and services that help people smooth consumption, manage risk, and weather economic shocks.

Most formal and semi-formal lenders ask for a national ID, a utility bill, proof of employment and a personal reference (this is used as an alternative means for locating the borrower). The critical documentation that the majority of the population cannot provide is proof of employment. Anecdotal evidence indicates that there are segments of the population which are over-indebted and during the past decade credit in the banking sector as a percentage of GDP has grown from 12 percent to 39 percent. That said, other national-level indicators such as the low rate of non-performing loans (NPLs) (2.5 percent in banks) and that only 4 percent of borrowers are obtaining loans from more than one source, suggests there is not systemic over-indebtedness affecting large segments of the market. Moving forward better measurements of over-indebtedness and consumers/MSMEs debt loads, capacity and management will be needed.

D. Payments

With a population of 6.6 million people, there are 7 million cellular lines in Paraguay. Twenty eight percent of adults in Paraguay report having used mobile money in the past 12 months. Mobile money is the most popular way to send money or receive money from family or friends living elsewhere in Paraguay.

Over the past decade government and the national pension system have begun making electronic salary and pension payments. Uptake is slow but the potential is significant if beneficiaries were to be required to have an account (or payment card). Beyond domestic remittances, digital payments can be expanded to improve the efficiency and security of wage and government-to-person payments. The distribution of wages and salaries in Paraguay remains mostly cash-based. Of the 34 percent of Paraguayan adults who report having received money as salary or wages from an employer in the past 12 months, 76 percent report having received this payment in cash. This could be due to the low level of account ownership and legacy issues related to requirements to have an account at a particular bank that an employer designates.

Banks could potentially benefit from the robust agent networks already developed by other types of financial service providers such as payment processing companies and mobile network operators. For example, Tigo has 310 agents or less than 1 percent of its total 33,000 agent network which are approved to perform banking operations; Personal agents extend financial services to 58 districts (26% of all districts in the country) that banks do not serve (no branch or agents)

E. Insurance

Insurance coverage in the country is low. There is potential to expand coverage with micro-insurance products, agricultural insurance, and medical insurance. Coverage is especially low in rural areas and among low-income populations. There are 35 insurance companies in Paraguay. Competition in the insurance industry should be revisited to see if variation of business models can be induced to promote competition.

Twenty six percent of adults have some form of insurance. Health insurance (25 percent) is the primary form of insurance held by people that have insurance coverage.[26] Paraguay is the only country in South America where auto insurance is not mandatory. While the reasons for the low levels of insurance coverage were not specifically identified in the EIF, the survey did indicate that this financial service had larger gaps in terms of uptake among various groups than savings, credit and payments. Specifically the elderly, better educated, higher income and urban populations were the most likely to have insurance. The low levels of personal assets to insure, the voluntary nature of insurance (especially for health, home and auto), and low levels of insurance product awareness are likely contributors to these low levels of usage.

F. Financial Education

There is significant scope to expand the availability of financial education programs in Paraguay. One in ten adults report that they, or someone in their household, have received personal finance or money management lessons. Evidence from randomized-controlled trials has shown well-designed financial education programs can equip people with the knowledge and skills to take advantage of appropriate financial services to save, borrow, make payments and manage risk.

G. Consumer Protection[27]

The Consumer Protection Law and Civil Code set the legal basis for consumer protection in Paraguay, although most of the provisions are broad in nature and may need further regulations to be realistically enforceable. The BCP introduced over the last few years a number of regulations for banks and finance companies, which aim to enhance comparability of prices and commissions, and improve the general disclosure of information. For insurance companies, no clear legal framework for consumer protection exists. BCP also issued Resolution 1, Act 70, 2011 on the use of agents, and Resolution 6, Act 18, 2014 on E-money issuers, both of which contemplate provisions on consumer protection-related issues, including business practices, transparency, provider liability and complaints handling. Provisions to protect clients from non-transparent bundling of products and abusive debt collection practices are not yet in place. In addition, the supervisor of cooperatives, INCOOP, lacks a dedicated unit responsible for financial consumer protection and financial education.

The legal and regulatory framework does not require banks, finance companies or cooperatives to have internal complaint handling processes in place. No public institution has a clear legal mandate or dedicated funding for providing

[26] World Bank, National Financial Inclusion Survey Paraguay 2013
[27] In June 2014 the World Bank conducted a detailed consumer protection and financial literacy diagnostic in Paraguay. Information in this strategy on these areas draws heavily on the findings from this diagnostic.

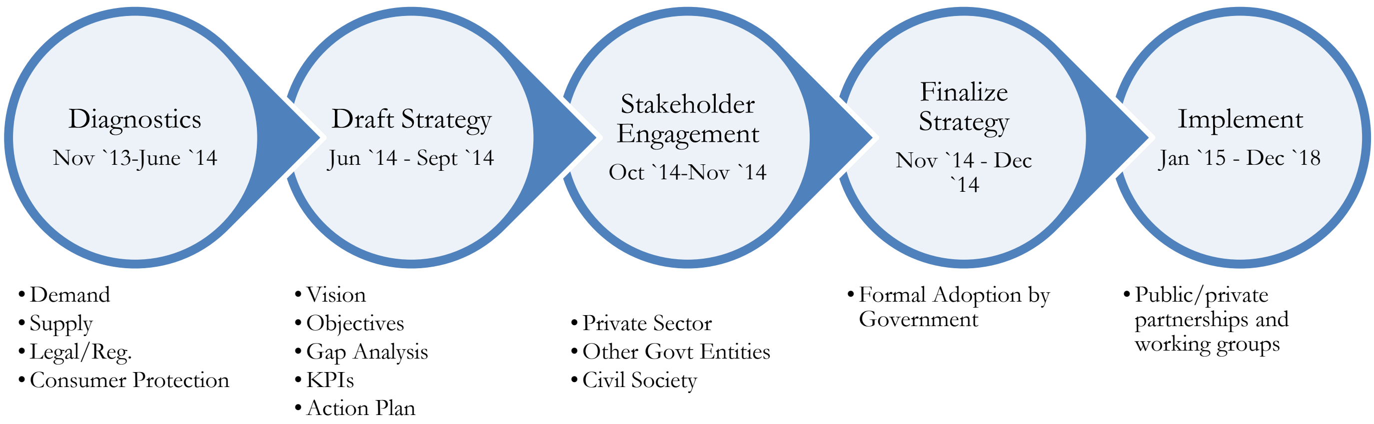
financial education and coordinating efforts amongst the various stakeholders.

4. National Strategy for Financial Inclusion - Where do we want to get to by 2018

This National Financial Inclusion Strategy (ENIF) is a crucial component of the government's larger national development plan and establishes interim financial inclusion goals for 2018. The Government of Paraguay has laid out within its National Development Plan a series of objectives and development goals for 2030. Included within this broader National Development Plan is a goal of universal financial inclusion by 2030. The ENIF sets out nearer term objectives and goals for 2018 to work towards this ambitious goal of universal access by 2030 set out in the National Development Plan.

Engaging local stakeholders and the research derived from the technical notes on the demand, supply, legal/regulatory and consumer protection environments of financial services in Paraguay were critical inputs for developing this strategy. Taken together these inputs allow for evidence-based targets to be developed within the ENIF. These targets are meant to support the government's high-level goal of reducing poverty. As indicated below in Figure 5, this strategy depends heavily on an iterative process and inputs.

Figure 5: ENIF Implementation Process



Including more people at the base of the pyramid in the formal economy and financial sector will reduce inequality and promote shared prosperity. The first step in the strategy is establishing the high-level objectives for financial inclusion. Next, a gap analysis of the current financial profiles versus financial needs of the five primary income groups in Paraguay is conducted. Following the gap analysis, key performance indicators and quick win actions are identified to close the gap in needs and to meet the objectives of the strategy. Lastly, the ENIF provides a governance framework, monitoring process, and detailed action plan to aid implementation of the strategy.

A. Objectives of the ENIF

The ENIF will encourage the development of financial products according to the needs of all people, but focusing on financial inclusion for vulnerable populations. The ENIF establishes the following objectives for an inclusive financial sector:

Objective 1: ***Reduce the financial vulnerabilities of families at the base of the pyramid.*** There is increasing awareness and recognition of the impacts that financial vulnerability has on households and child well-being.[28] The 2013 Paraguay Financial Inclusion Survey indicates that approximately 20 percent of adults sometimes or always run out of money to buy food and other necessities. Families which have some savings, regardless of how meager, micro-insurance, and/or access to credit or quick remittances will be better protected against economic shocks.

Objective 2: ***Promote outreach of financial services in a competitive and secure marketplace.*** The banking sector in Latin America has the highest return on equity levels in the world [29] and Paraguay has one of the most profitable banking systems in Latin America. These high levels of profits and the relative stability in bank profits[30] provide ample opportunity for serving a population with low levels of banking access. This ENIF identifies policy actions that can be taken to make Paraguay an attractive market for business models to deepen outreach in a sustainable, well-regulated and profitable way.

Objective 3: ***Aid economic development and growth through MSMEs and large firms access to financial products.*** Paraguay's 2011 Censo Economico Nacional indicated that only 35 percent of firms had obtained financing or loans for their businesses and approximately half of those that did not have access needed access to financing. However, one fifth of such firms needing loans have not even applied because they anticipate outright rejection. Even among medium and large firms, the 2011 Economic Census indicates that nearly one out of every six firms don't seek credit because of anticipated rejection. In addition, 12 percent of large firms and over 50 percent of medium sized firms do not have a bank account. Ensuring creditworthy MSMEs and large firms have sufficient access to financial services will enable their growth and therein serve as the engines for employment to aid in reducing poverty.

Objective 4: ***Promote financial inclusion while maintaining a balance with financial sector stability, integrity and the education/protection of consumers.*** The government will seek to identify actions which aid stability, integrity, consumer protection, and financial inclusion. Such areas may include improving the scope of institutions served by deposit insurance, credit bureaus, lender of last resort facilities, expanding usage of formal savings and insurance. Ultimately it is a stable financial sector that will best aid the citizens of Paraguay going forward.

[28] Nicola Jones, *Impact of Economic Crisis on Child-Well Being.* Overseas Development Institute. 2011
[29] McKinsey & Company. *Second Annual Review on the Banking Industry.* October 2012.
[30] Thorsten Beck. *Bank Competition and Stability. August 3, 2011.*
http://blogs.worldbank.org//allaboutfinance/bank-competition-and-stability-cross-country-heterogeneity

B. Gap Analysis and Segmentation by Income Per Capita[31]

According to the Financial Inclusion Survey (EIF) a person's income and working status are key drivers of whether or not he/she is likely to have, and use, an account at a formal financial institution. As such, a segmentation strategy based on income groups is a useful way to develop strategies to improve usage of financial services. However, a fixation on income as opposed to the consideration of social and economic inclusion, can stunt progress. Ample research indicates that many families move out of and slip back into an income group multiple times over a lifetime.[32]

The gap analysis overlays the findings from the EIF with the data from the Dirección General de Estadística, Encuestas y Censos (DGEEC) 2013 Permanent Household Survey's Principal Results on Income. Using these two sources of data this segmentation provides a comprehensive picture of individuals' demographic and financial profiles specific to Paraguay.

Given the structure of incomes in Paraguay and data from the EIF, the gap analysis reviews the financial profile and needs of five income groups (i.e., extreme poor which are 10 percent of the population; the poor, but not extreme, which are 11 percent of the population; middle income which are 56 percent of the population; upper middle income which are 13 percent of the population; and those within the top 10 percent of incomes). Although separate financial services needs are identified across the five groups, in practice the needs are not as static or homogenous as portrayed below and there are many needs (i.e., improving financial capability) that are nearly universal. It is important to recognize that the figures in this analysis are based on per capita household incomes not individual wages or total household income[33].

The purpose of segmenting the adult population into these five groups is to ground the strategy, its policy actions and any new products/services that emanate from it in the realities and needs of potential customers. With the overall focus of the ENIF on reducing poverty, there is a specific focus on the extreme poor, poor but not extreme, and those that are above the poverty line[34] but are not paid the minimum wage.

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[31] The Gap Analysis compares the current situation to the estimated needs and draws on data from the EIF 2013 and the Permanent Household Survey 2013, Dirección General de Estadistica, Encuestas y Censos (DGEEC). The income groupings are also based on the DGEEC's Permanent Household Survey 2013 and are based on per capita household incomes in the *2013 Principal Results on Poverty and Income Distributions* bulletin. http://www.dgeec.gov.py/Publicaciones/Biblioteca/eph_2013/Boletin%20de%20pobreza%202013.pdf

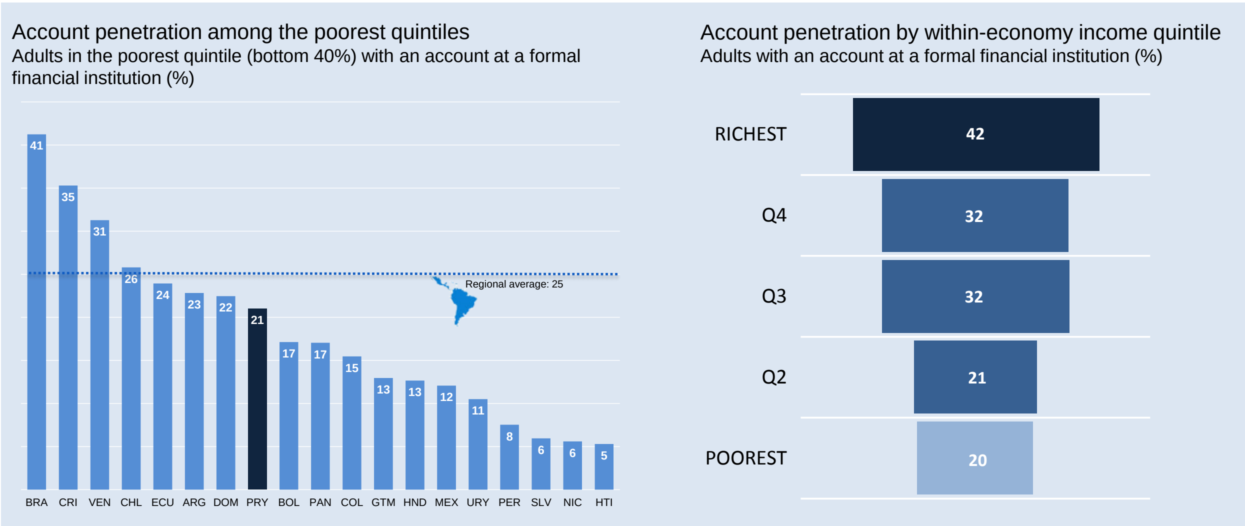
[32] Deepa Narayan, L. Pritchett and S. Kapoor, *Moving Out of Poverty: Success from the Bottom Up*. World Bank. 2009

[33] To illustrate the difference, the national average *income per worker* in 2013 was Gs 4,295,000, whereas, the *per capita* household income in 2013 was Gs 735,565. The difference being children, elderly, etc. which are part of the per capita calculation but are not working. Throughout this document per capita data is used based on DGEEC's Permanent Household Survey 2013.

[34] The poverty and extreme poverty lines are calculated using the cost of a basic food basket (BFB) and the cost of a total basic basket (TBB). These costs are compared with the per capita family income obtained in the household permanent survey. If per capita income is below the value of the BFB, households are considered living in extreme poverty. If that value is higher than the BFB, but lower than the TBB, the household is considered poor.

At the surface, the financial inclusion needs of the professional class may not seem important for raising prospects for the poor. However, if this group and those with upper incomes are not using local institutions to save and borrow, markets will not have enough depth and institutions may not be able to sustainably serve poorer segments. To expand financial services to poorer individuals in a sustainable manner it's important to also include the large middle and upper income groups in the ENIF especially since as depicted in Figure 6, 58 percent of people in the top quintile also do not have an account at a formal financial institution. Figure 6 also shows the account penetration by income level in Paraguay and compares this on a summary level with the rest of Latin America.

Figure 6: Account Penetration and Income Distribution



Group 1: Extreme Poor – 10 percent of the Population

Demographic Population Profile: Monthly per capita household income below the extreme poverty line of Gs 302,285 (US$ 70). Two-thirds of the extreme poor are in rural areas. Women and the disabled are disproportionally represented. The employment status of these people generally cannot be verified and they are the least likely to have national IDs.

Financial Profile: Very limited income, job opportunity and physical/financial assets. Less than 20 percent have an account at a formal financial institution and many are totally excluded from the formal financial system. These people frequently or sometimes run out of money to buy basic necessities and food. They are the most vulnerable to external shocks (i.e., economic down turn, personal or family illness or death).

Financial Service Needs: Very low cost mechanism that will help them absorb the frequent shocks they experience. Simplified documentation requirements to open savings accounts and low cost mechanisms to receive government or private money transfers (e.g., via mobile money). These services are needed at very low costs which could include being performed via nearby banking agents. Channeling government transfer payments via the formal financial sector helps introduce these people to the formal sector.

Group 2: Poor, But Not Extreme – 11 percent of Population[35]

Demographic Profile: Monthly per capita household income below the poverty line Gs 474,775 (US$ 109) but above the per capita level of extreme poverty of Gs 302,285 (US$ 70). This category tracks the overall distribution of the population between rural (40 percent) and urban (60 percent) areas with a bit greater concentration in rural areas (48 percent) compared to urban (52 percent) relative to the national population distribution.

Financial Profile: For these individuals work is inconsistent and occurs in the informal sector. Approximately 20 percent have an account at a formal financial institution and 26 percent are saving regularly. Savings occurs via informal (43 percent) means much more often than via formal institutions (8 percent). Health insurance is held by 15 percent of people and life (2 percent) or home/vehicle (1 percent each) insurance is nearly non-existent. Twenty-two percent have borrowed money in the past year. This group and the extreme poor are the most reliant on remittances from family within and outside of the country.

Financial Service Needs: Simplified documentation requirements to open an account are needed. These individuals need basic savings accounts that are safe and can be leveraged to obtain microenterprise loans as well as micro-insurance to help protect them and their families from health and burial related costs. Like people in group 1, this group relies significantly on remittances and government transfers indicating low cost transfer mechanisms are needed. Demand-side data suggests building financial and physical assets that can be leverage to secure credit or liquidated in emergencies are critical. Affordable health insurance is needed to help people from not being able to work because of illnesses.

Group 3: Middle Income – 56 percent of the population

Demographic Profile: Households working in the informal and agriculture sectors that are above the poverty line of Gs 474,775 (US$ 109) but have a per capita monthly income of up to Gs 1,824,055 (US$ 419), which is the equivalent of the minimum wage.[36]

Financial Profile: Approximately 27 percent have a savings account at a formal financial institution, 32 percent have borrowed money in the past 12 months, 21 percent have health insurance and 20 percent always or sometimes do not have enough money to pay for basic needs.

[35] There are some discrepancies in data tables from the Direccion General de Estadisticas, Estudios y Censos. We have relied on the more detailed as opposed to summary tables.

[36] Although the minimum wage is not based a household *per capita* figure, unless it's a household of one, its common income reference point and as such is used as cut off point for this analysis.

Financial Services Needs: Affordable and accessible savings accounts and commitment savings products to help people build assets and savings for emergencies. Out of all income groups these people are most likely to borrow money for health related reasons and like other income groups they are approximately five times as likely to have health as opposed to life or auto insurance. As such, well-targeted health and life related micro-insurance products are needed by people in this group. People in this range are less than half as likely to be able to obtain credit for their businesses. As many of these businesses are micro and/or small business, activities to secure credit for this segment of the market would be beneficial. Lastly, wages paid by check are costly (in fees and time) to convert into cash and with cash in-hand it's easier to spend and less safe than in a financial institution. Converting these payments to electronic transfers facilitates savings.

Group 4: Upper Middle Income – 13 percent of the Population

Demographic Profile: Private and public sector employees.[37] Upper income self-employed people living in urban and rural areas. This includes households that have per capita income above Gs 1,824,055 (US$ 419) but less than Gs 4,740,698 (US$ 1,090) per person per month in a household, which is the entry point for top ten percent of households.

Financial Profile: Approximately 37 percent have access to an account and 51 percent save actively. They tend to save and borrow (45 percent) in formal institutions. They are active users of mobile money (33 percent) and are much more likely to have insurance (38 percent) given they have assets to protect. They are twice as likely as the poor and upper income to use cooperatives.

Financial Service Needs: The needs of this segment are: 1) affordable credit for the self-employed and others seeking to start a business, 2) savings accounts and stronger depositor protections, especially in cooperatives, to grow confidence and uptake of formal savings accounts, 3) electronic salary payments to facilitate savings, 4) broader usage of debit, credit and mobile money to reduce transaction costs, and 5) health related borrowing and health insurance products (health insurance is 80 percent[38] of the total insurance market). Like individuals in groups 2 and 3, people in this group that may have higher incomes but have not been able to accumulate assets understand their potential vulnerability for slipping into poverty should they deplete all of their assets while not working due to health or other issues.

Group 5: Upper Income – 10 percent of Population

Demographic Profile: Plantation owners, employers, highly educated, urban and rural professionals. Households with per capita income of at least Gs 4,740,698 (US$ 1,090) per month are part of this upper income group.

[37] Table 7 Average Monthly Income Based on Occupation. *Supply and Demand of Rural Microfinance in Paraguay.* Red de Microfinanzas. May 2013.

[38] This is based on the National Financial Inclusion Survey (EIF). In contrast, the supply side data indicates 48 percent of insurance premiums are related to auto insurance.

Financial Profile: This portion of the population earns approximately 37 percent of the income.[39] Debit card usage is 30 percent (or three times the rest of the population). Although people in the top quintile (data at the top decile is not available) are twice as likely to have formal accounts (42 percent of individuals) than the poorest, this is still a modest percentage of people with accounts at the highest income level. This group is the most active users of insurance.

Financial Service Needs: With more capacity to absorb short-term shocks, the demand-side data suggests longer term products for savings (i.e., pensions and investing) and financing (i.e., medium and long-term firm credit and development of capital markets as investors and borrowers) are most needed by this group. Ability to initiate remittances and salary payments electronically will help reduce their costs and crop and livestock insurance products will secure the business interests of those in the agriculture sector.

Translating Financial Services Needs into Action

The gap analysis indicates that the financial services needs of the five income groups revolve around improved savings, credit, insurance, and payments products which are operating in a responsible environment where people have the knowledge and capacity to use the products and the specific needs of vulnerable people are taken into account. To translate these needs into actionable areas key performance indicators (KPI) have been identified which are measurable and focus on the usage and quality of financial services. To achieve these KPIs an initial set of 60 policy actions to complete over the next four years have been identified. These policy actions were informed by the recommendations from the recent diagnostic work on the demand, supply, consumer protection and legal/regulatory environment for financial services in Paraguay. To make progress on these policy actions experts from both the private and public sector will work together across seven working groups. The actions and timeframe for implementation are provided in the subsequent sections of this ENIF.

C. Key Performance Indicators, Working Groups and Action Plan

To provide focus to the government's and private sector's financial inclusion activities key performance indicators (KPIs) are being established for 2018. Several of these components refer to migrating activities from informal products that may be riskier, more costly, have few consumer protections and less oversight to the formal sector where oversight is better and costs over the long-run are often lower.[40]

Each KPI and thematic area (i.e., savings, credit, insurance, payments, financial education, consumer protection and vulnerable populations) will have a working group comprised of public and private sector experts working to achieve the KPIs and improve the financial sector. In support of achieving the KPIs, specific policy actions have been identified for completion which includes timeframes and

[39] DGEEC Permanent Household Survey 2013.
[40] It is not a foregone conclusion that all informal products have these characteristics.

responsible working group. For each thematic area one policy action that is achievable, visible to consumers and with limited dependencies has been highlighted as a "quick win" priority policy action.

Following is a description of the 7 thematic areas, the KPIs, quick win policy actions and the other policy actions identified for the working groups' completion. As a high priority, working groups will be convened in the first quarter 2015 and by March 2015 working groups will identify an organization(s) responsible for leading the activities related to each policy action. Assigned to the Financial Inclusion Technical Team are a set of policy actions that are not tied to any thematic area but are important for improving the overall financial inclusion environment.

Savings Group:

i. ***KPI: Increase saving account ownership from 29 percent to 50 percent of the adult population and usage from 14 percent of population saving formally to 30 percent.*** The EIF indicates that many more people (25 percent) save money via informal means than formal (14 percent) means. These informal savings are generally at greater risk of loss and keep credit markets unnecessarily shallow. To meet the first objective of this strategy (i.e., reduce the financial vulnerabilities of families at the base of the pyramid) and the needs of people in income groups 1-4, growing the base of people saving money in secure institutions is key. The source of the baseline data is the 2013 EIF. These growth targets were modeled on recent growth trends in Paraguay regarding account ownership and usage.[41]

   Supporting Quick Win:
   Issue clear guidance on what is and is <u>not</u> needed to open a regular savings account.

   The second highest (24 percent) self-report barrier as to why people do not have formal accounts was due to a lack of documentation (the highest barrier was lack of money). Some of the barriers are a result of AML/CFT requirements and others are imposed by the financial institutions. This item was identified as a quick win because clarifying the guidance is a policy action that BCP and INCOOP can take and these documentation barriers are a major impediment for many people in income groups 1-3 when opening accounts. Once more accounts are opened, the next step is promoting usage of the accounts. This will also require striking a balance between inclusion and financial sector integrity as referred to in the fourth objective of this strategy.

[41] Between 2011 and 2013 account ownership grew at 14.8 per year. This same rate of growth suggests account ownership will be at 50% in 2017.

Supporting Policy Actions:

#	Task	Priority	Date
1	Study and improve the design and business model for financial institutions offering *cuentas básicas*. Then re-promote with consumers and financial institutions.	High	June 2015
2	Introduce a deposit insurance bill for cooperatives and launching of a fund for all cooperatives primarily engaged in savings and credit services.	High	June 2015
3	To boost confidence and usage of formal savings, raise awareness of deposit insurance and simplify communication on coverage levels.	Medium	December 2016
4	Financial institutions (banks, finance companies, cooperatives) should consider developing innovative savings products, such as savings programmed for specific objectives.	Medium	December 2016

Credit Group:

ii. KPI: Increase responsible credit to MSMEs from 30 percent to 40 percent and increase the share of responsible borrowing at formal financial institutions from 23 to 28 percent of adults. By some estimates[42] MSMEs have a US$2.1 billion dollar demand for credit and about 45 percent of the demand is currently being met. According to the EIF, approximately one-third of individuals have borrowed money in the past year and very few (4 percent) are borrowing across multiple lenders. In addition, saving relative to GDP is growing.[43] While systemic over-indebtedness does not appear to be present at this time, there is information about certain employee groups being highly leveraged. Compared to the regional average of 25 percent[44] of consumer borrowing in Latin America and the Caribbean in the past 12 months, Paraguay is at the high-end with 34 percent having borrowed in the past 12 months[45]. While at the surface this appears to be an indicator of over-indebtedness, the data also includes information on micro and small business borrowing which is generally much higher than consumers accessing loans.[46]

[42] *Supply and Demand of Rural Microfinance in Paraguay.* Red de Microfinanzas. May 2013.
[43] International Monetary Fund, Financial Sector Assessment Program Update. January 2012.
[44] Global Findex 2011 data for Latin America & Caribbean. http://datatopics.worldbank.org/financialinclusion/
[45] However, the 34 percent for Paraguay is inclusive of MSME borrowing which is usually higher than consumer borrowing levels.
[46] The LAC regional average for MSME borrowing in 47.5 percent according the Investment Finance Corporation's Enterprise Survey. http://www.enterprisesurveys.org/data/exploreeconomies/2010/paraguay#finance

In support of the third objective of this strategy (i.e., aiding economic development and growth through MSME and large firm access to financial products) and entrepreneurs across the income groups, this key indicator focuses on expanding responsible credit to established firms and moving the credit market from a less to more regulated and protected environment.[47] Approximately half of all MSMEs that do not have a loan are desirous of a loan to improve their business. Given that these entities are significant contributors to job creation (and therein improved incomes) in Paraguay there is justification to support access to credit for creditworthy MSMEs. MSME business owners are part of income groups 2-5 and they often employ people in groups 1-4.

This increase in MSME credit will be occurring in an environment where other important policy actions will be improving the broad credit market through activities such as, an integrated credit reference information system, collateral registry, loan guarantees for MSME and loan loss provisioning. The source of the baseline data is the 2011 National Economic Census. Unlike the savings targets, the credit target looks more at regional averages of credit usage in Latin America and current usage in Paraguay so as to establish targets that spur growth but also keep systemic over indebtedness at bay. According to the EIF, while 34 percent of adults have borrowed money in the past 12 months only 23 percent do so at formal financial institutions. As such, the second part of this KPI seeks to shift credit from the informal to formal market, where consumer protections exist, rather than growth consumer credit.

Supporting Quick Win:
Ensure BCP's and INCOOP's credit risk information systems communicate with each other.

To facilitate an environment where responsible credit is given and consumers are not over-indebted, the existing and future credit risk information systems should share information to ensure a single view of a consumer's existing debt and repayment history. An important step in this direction will be communication between the INCOOP and BCP credit information systems.

Supporting Policy Actions:

#	Task	Priority	Date
5	Implement targeted demand-side studies to better understand trends in use of informal financial services.	Medium	December 2016
6	To aid in monitoring over indebtedness, annually receive information at BCP from unsupervised credit providers.	Medium	December 2015

[47] This is not designed as a program to support high-risk startups.

7	Conduct study of causes for high liquidity in banks, potential impact on credit markets and implement changes as appropriate.	Medium	June 2015
8	To support secured lending, implement an electronic collateral registry system allowing lender to determine existing liens on assets.	Medium	June 2016
9	Apply proportional credit definitions and provisioning structure across cooperatives, banks and finance companies if the underlying risks are comparable.	High	December 2016
10	Refine provisioning methodology to ensure faster provisioning of microcredit loans.	High	December 2016
11	Consolidate and improve credit information systems through multiple initiatives including lenders sharing positive information, appropriate use of the credit bureau data and improved data quality and usage rules.	High	December 2016
12	Establish accuracy, timeliness, disclosure, and recourse standards for all credit bureaus.	Medium	December 2016
13	Implement *a process to monitor the level of* over indebtedness via improved credit bureau information, regulatory agency communication, non-performing loan data and demand side data analysis.	High	December 2016
14	Finalize the Guarantee Fund for MSMEs law and issue its regulations so that the Fund can be implemented.	High	December 2016
15	Explore the possibility of implementing factoring and leasing products in the market.	Medium	December 2016

Insurance Group:

iii. ***KPI: Increase insurance coverage from 26 percent to 36 percent of adults.*** The number one reason for individuals borrowing is for health related costs and the number one reason individuals save is for emergencies. This suggests a strong, but latent demand for health insurance. The current low levels of insurance (26 percent for health, life or vehicle insurance combined) suggests consumers have demand and could benefit from insurance products that reduce their risks and helps them avoid catastrophic expenses.[48] This KPI is tied to the first objective in this strategy (i.e., to reduce the vulnerabilities of families at the base of the pyramid). The source of the baseline data is the 2013 EIF. These growth targets are based on demographic projections (as more seniors

[48] While outside the scope of this strategy, anecdotal evidence indicates there are structural challenges with the current publicly provided health care and the availability of health care workers. These are issues that will have to be addressed by the health sector.

use insurance), increases in automobile ownership, the potential for new agricultural insurance products and growing levels of assets. Borrowing for health and saving for emergencies are key influencers of consumer behavior especially for people in the 2nd through 4th income groups in Paraguay.

Supporting Quick Win:

Explore the possibilities of implementing agricultural insurance for small and medium producers.

For the private sector to develop and offer insurance products in a sustainable manner to small and medium size agricultural producers, there will need to be simplified disclosures and claims processing avenues and space for new product development. For consumers to be able to understand the insurance products and make claims they too will need simplified information and procedures. Agriculture insurance (or crop insurance) makes up only four percent of the insurance market[49], but with "climatic phenomenon," becoming increasingly regular, there seems to be a growing need for this type of insurance yet only two companies in Paraguay offer it for smaller farms. Uptake of agriculture insurance could potentially increase by voluntarily linking it with agriculture loans.

Supporting Policy Actions:

#	Task	Priority	Date
16	Increase usage of insurance via new products with a focus on insurance education and promotion for the most vulnerable populations.	High	June 2016
17	The financial aspects of pre-paid medicine schemes should be prudentially regulated.	Medium	December 2016
18	Explore the possibilities of implementing micro-insurance products in the market.	Medium	December 2016
19	Increase delivery channel innovations that balance consumer protections and allow insurance companies to deepen outreach in a profitable manner.	Medium	December 2018
20	Develop a regulatory framework for obligatory auto insurance (SOAT) and supervise accordingly.	Medium	December 2016

Payments Group:

iv. ***KPI: Decrease usage of cash/check for salary and wage payments from 76 percent to 20 percent.*** In terms of usage of mobile money

[49] This is based on the Supply Side Technical Note.

Paraguay is considered a regional and global leader. However, many of the transactions are currently conducted as over-the-counter (OTC), as opposed to e-wallet transactions and few employers use this for delivering salary payments. As such, most consumers are not utilizing mobile money as a low-cost and accessible mechanism to store value directly on their phone or into saving accounts. In support of the second objective of the strategy (i.e., the outreach of financial services) and using payments as a gateway to other products, potential exists for the more efficient delivery of salaries and wages. The source of the baseline data is the 2013 EIF. These reduction targets are based on data projections from other countries that implemented forceful electronic payment initiatives.

Supporting Quick Win:

Convert 80 percent of all central government's payments to consumers to an electronic means and make 100 percent of all new central government vendor payments via electronic means via any institution authorized for the purpose.

To the extent that these payments are made via electronic means (i.e., via electronic funds transfers into savings accounts, mobile wallets and/or payment cards) it reduces transactions costs for the sender and receiver and facilitates the process of savings in a safer environment. The single largest initiator of payments is the government of Paraguay and as such it can be both a market leader and significantly aid in achieving the KPI. While actions are underway to make salary payments into accounts, more work is needed on payments to vendors and conditional cash transfers to people in income groups 1-3. The new automated transfers system should be leveraged to enable recipients to select any financial institution to receive their payment into.

Supporting Policy Actions:

#	Task	Priority	Date
21	Promote agent model among banks, finance companies, cooperatives and mobile money telcos. Encourage banks, finance companies, cooperatives and telcos to offer account opening or at least facilitate opening accounts through agents to broaden the payment infrastructure.	High	June 2015
22	Issue a directive to allow alternative mechanisms of product acceptance and electronic signatures in customer due diligence procedures.	High	December 2015
23	Encourage usage of e-wallets as opposed to OTC transactions for clients without access.	High	December 2015
24	Define capital adequacy requirements for e-payment companies.	Medium	June 2015

25	Consider expanding direct access to the payment system for all financial entities that can meet risk and operational management requirements so that individuals can easily and affordably receive electronic payments.	Medium	December 2016
26	Evaluate guarantee mechanisms to allow insurance coverage to pass through to e-wallet account holders should the financial institution holding the e-float account fail.	Medium	December 2016
27	Strongly encourage interoperability of payment systems (e.g., card processors for its services of POS and ATMs, mobile networks, EMPES and financial institutions).	High	December 2016
28	Demonstrate the benefits of government's move towards electronic payments through cost benefit analysis (i.e., resources from the Better than Cash Alliance).	Medium	December 2015
29	Through cost benefit analysis encourage private employers to make wage/salary payments electronically.	Medium	December 2018

Financial Education Group:

v. ***KPI: Increase the percentage of adults (15+) who reported having received some training / advice or support on how to manage personal finances and administration of money from 10% to 20%.***

Only 10 percent of households have received any kind of lesson on personal finance or money management. While still a small base of the total population, the goal is to double the percentage of adults that have received advice and/or support on personal finances. This effort will need the involvement of the public and private sectors. This supports the first objective of the strategy (i.e., reducing the financial vulnerabilities of families at the base of the pyramid). The source of the baseline data is the 2013 EIF.

Supporting Quick Win:

Develop financial education tools, guidelines and content for educational institutions, social service agencies and financial institutions, with an emphasis on vulnerable populations and their characteristics (topics may include credit cards, interest, payments, loans, savings, insurance, and consumer protection, considering the design of the content to be delivered to distinct segments of the population).

One of the first guidelines in providing consumers with financial advice is the encouragement of setting goals and establishing a plan to accomplish those goals. To ensure that organizations and individuals involved in providing financial education are providing sound guidance, tools and content guidelines will be developed and shared with financial educators.

Supporting Policy Actions:

#	**Task**	**Priority**	**Date**
30	Conduct a base-line study and impact evaluation (with a control group) of the mandatory financial education curriculum for secondary school.	High	December 2015
31	Develop a National Strategy for Financial Education which expands educational activities beyond secondary school to incorporate teachable moments for adults	Medium	December 2016
32	Implement a national campaign on financial education that shares information through different channels in an engaging way and guides on financial products and services.	Medium	December 2016

Consumer Protection Group:

vi. KPI: All institutions that provide regulated and non-regulated financial services have and publicize arrangements for customer complaints and queries that take into account the realities of all income groups, including the financial vulnerable.

Recourse mechanisms provide consumers a low-cost mechanism to potentially resolve problems and they provide institutions a method of receiving feedback on their products and resolving problems before they are brought to the attention of regulators. This target was established to ensure consumers have recourse mechanisms at the primary level in addition to the secondary recourse mechanisms at SEDECO, BCP (also SIS and SIB) and INCOOP. This indicator supports the fourth objective of this strategy (i.e., balancing a push for inclusion while ensuring that consumers are protected). The source of the baseline information is the 2014 Consumer Protection and Financial Literacy Diagnostic.

Supporting Quick Win:

Improve the regulation on transparency of interest rates and fees via a total financial cost initially for credit and for all lenders.

A frequent cause for complaints with financial products is consumers where not fully informed or did not fully understand the products initially. As such, improving the transparency of rates and fees via total cost of credit disclosure will help consumers compare and better understand their financial decisions.

Supporting Policy Actions:

#	Task	Priority	Date
33	Implement risk-based market conduct supervision to cover all companies both regulated and non-regulated performing financial services by all the appropriate enforcement agencies of the financial sector (BCP, INCOOP, SEDECO, SEPRELAD).	High	June 2016
34	Clarify the mandates and competence of agencies relevant to financial consumer protection, and establish modalities for information sharing between SEDECO, BCP & INCOOP.	High	December 2016
35	SEDECO to issue market conduct rules for all non-prudentially regulated firms (for example, monitoring the usury law, transparency and what constitutes abusive debt collection practices).	High	December 2016
36	SEDECO and supervisory agencies to establish internal systems/procedures for receiving and resolving complaints, analyzing complaints information, and making statistics available to the public.	Medium	December 2016
37	Promote the development and use of user-friendly price transparency websites and other measures to facilitate comparison, stimulate transparency and enable better consumer choice.	Low	December 2016
38	Issue circular or other form of guidance to set out content, wording, and format for Key Fact Statements for adding to contracts and other uses. Initial focus could be on loans/credit cards.	High	December 2016
39	Strengthen financial consumer protection units in BCP, INCOOP and SEDECO.	Medium	December 2016
40	Investigate methodologies for how the total financial cost of products beyond credit could be calculated and disclosed.	Medium	December 2016

Vulnerable Populations Group:

vii. KPI: Extend financial services via cost effective channels to all 69 financially excluded and more populated districts in the country with an emphasis on the 17 vulnerable priority districts that are part of government's plan to end extreme poverty. A significant portion of the population (17 percent) lives in a district that is not served by traditional bank, finance company or cooperative branch, agent or ATM. This affects people's ability to save in monetary assets that are readily accessible in times of acute need. Paraguayans that do save are four times as likely to save for emergencies, than for any other reason. Having the knowledge and avenues, be it traditional products or mobile money, to develop emergency savings will help families be more financially secure and directly supports the first objective of this strategy (i.e., reducing the financial vulnerability of families at the base of the pyramid). For the purposes of this strategy people in income groups 1 and 2 above (i.e., extreme poor and poor, but not extreme) and people in income group 3 (i.e., middle income) with below average net worth are considered financially vulnerable. Financially excluded districts are those that do not have any bank presence whether through branches, bank agents or ATMs.[50] The source of the baseline data is the 2013 EIF.

Supporting Quick Win:

Leverage the widespread use of mobile phones and coverage of mobile network operators to further expansion of savings among vulnerable populations.

There are more cell lines than people in Paraguay and the mobile networks cover 98% of the districts according to the Supply Side Technical Note. This infrastructure can provide hard to reach communities with a cost effective and accessible option for savings and payments as well as potentially credit and insurance. Given that this section refers to a group of people and not a product or the delivery environment, the policy actions in this area specify where cross over and coordination is needed with other working groups.

Supporting Policy Actions:

#	Task	Priority	Date
41	Promote the access for small producers to production finance. This action should be in coordination with the Credit Working Group.	High	December 2015

[50] If more people begin utilizing mobile money as a channel to save money and/or receive loans the concept of financially excluded based on geography will need to be revisited.

42	Carry out a study on business models of financial products targeted at vulnerable populations and their applicability in Paraguay.	High	December 2015
43	Designing and implementing a financial literacy program nationally (mass channels) addressed to the vulnerable population. This should be coordination with the Financial Education Working Group.	High	December 2015
44	Leverage the automated transfer system (ATS) to reduce costs for conditional cash transfer and wage payments and increase their convenience by allowing consumers to choose the financial institutions or mobile network they are delivered to. This action should be in coordination with the Payments Working Group	High	December 2016
45	Propose strategic alliances between financial institutions of government, the private sector and the telcos to provide comprehensive financial services to vulnerable populations. This action should be coordinated Savings, Credit, Insurance and/or Payments Working Groups as applicable.	High	December 2016
46	Explore the possibility of insurance companies offering micro-insurance for vulnerable populations. This action should be in coordination with the Insurance Working Group.	Medium	June 2016
47	Design products and savings incentives that encourage savings among vulnerable populations. This action should be coordinated with the Savings Working Group.	Medium	December 2016
48	Facilitate development of emergency loan products, associated savings, which aid access to resources at critical times and avoid economic setbacks for families. This action should be coordinated with the Savings and Working Groups.	Medium	June 2017

Improving the Financial Inclusion Environment:

Supporting Policy Actions:

While not tied to a specific key performance indicator or thematic area of the strategy, these policy actions are important for the measurement and macro-environment for financial inclusion.

#	Task	Priority	Date
49	To aid in understanding the true level of non-performing loans, require banks, cooperatives and finance companies to keep records of loans sold to unsupervised companies.	High	June 2015
50	Strengthen INCOOP as a regulator of savings and credit cooperatives to ensure savings are safe while balancing financial inclusion objectives.	High	December 2016
51	Public Banks: BNF is well positioned to contribute to financial inclusion through the promotion of simplified bank accounts and by leveraging its extensive geographical network presence. CAH can continue to reach out to new populations that are unable to access loans from other institutions with new innovative products such as factoring that can sustainably	High	June 2016

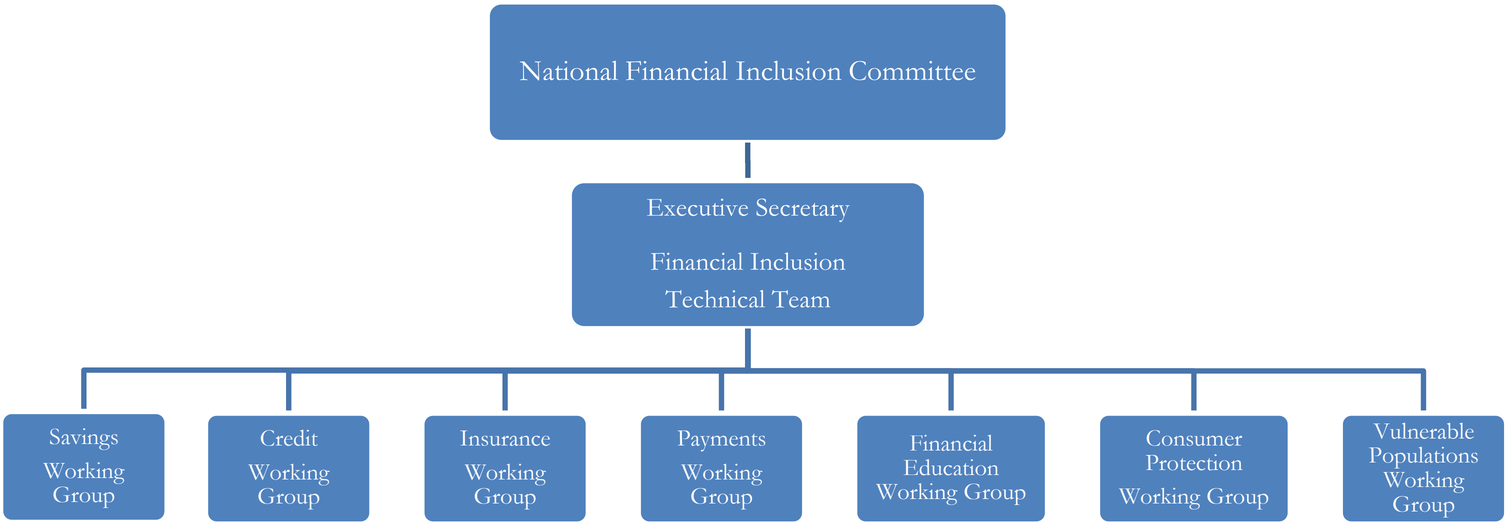
	create new credit opportunities for micro and small enterprises. AFD can promote long-term financing for rural and other MSMEs, by working with more financial institutions that serve MSMEs.		
52	Encourage the development and adoption of banking and cooperative industry codes of ethics.	Medium	June 2016
53	Implement demand-side financial inclusion survey every two years to measure progress on usage and understanding of financial services.	High	December 2017
54	Implement targeted demand-side studies to better understand trends in awareness of consumer protection mechanisms.	Medium	December 2016
55	Implement a process for monitoring the compliance with interest rate caps across lenders.	Medium	December 2016
56	Determine how to consolidate the supervisory structure of the pension schemes.	Medium	December 2016
57	Study the efficiency of financial intermediation in financial sector and impact on consumers and inclusion. Based on findings determine what actions, if any, could be taken to promote competition.	Medium	December 2016
58	Allow financially healthy banks, finance companies and cooperatives to expand branch networks via multi-year expansion plans as opposed to branch by branch approvals.	High	December 2016
59	Secure and encourage long-term pension savings, allow capital markets to create products and ensure that all providers of pensions are supervised.	High	December 2016
60	Create the standards and certification process for institutions to receive a “seal of commitment” to financial education and consumer protection from the government.	High	December 2015

D. Governance Framework

Through Decree 1971 on July 22, 2014 the Office of the President established a National Financial Inclusion Committee with senior level representation from the Central Bank of Paraguay (BCP), Ministry of Finance (MH), National Institute of Cooperativism (INCOOP) and the Ministry of Planning (STP) responsible for this ENIF. This Committee is chaired by the Minister of Finance. Beneath the National Financial Inclusion Committee is a Technical Team comprised of these same organizations which will be responsible for managing the implementation of the ENIF and will oversee thematic ad hoc working groups that are established by the National Financial Inclusion Committee. An Executive Secretary has been appointed by the National Financial Inclusion Committee during the second half of 2014. The Executive Secretary should report to the chair of the National Financial Inclusion Committee, and support the work of Technical Team and working groups.

The National Financial Inclusion Committee may create and/or disband the ad hoc working groups and determine the composition of them from the private and public sectors as needs dictate. The initial priority areas and scope of activities for the working groups are shown in Figure 7 below.

Figure 7: Governance Framework for the National Financial Inclusion Strategy



The Role of Private Sector

Although the government of Paraguay is initiating this ENIF, for it to be implemented its critical that a diverse set of private sector actors be engaged. While these diverse for-profit and not-for-profit actors will have different motivations for participating in this financial inclusion process, a common thread is that all organizations will need to experiment with new methodologies, technologies and possibly business models. In addition, as policy makers seek to create an enabling environment it will need to achieve a balance between protecting consumers that may be totally excluded from financial services with allowing the private sector to meet its own legitimate self interests. As such, critical private sector consultation is being conducted as part of this strategy and their involvment in the working groups will be paramount. In addition to the private sector, support from a diverse group of development partners such as the World Bank, Inter-American Development Bank, United Nations and others will be needed.

Working Group Activities

While some activities may involve more than one working group the initial terms of reference for the working groups will be divided based on the thematic areas and terms of reference will be provided to each group. These are some of the sub-topics that working groups should tackle:

1) **Savings Working Group:** Documentation and other requirements and barriers to open a savings and/or basic account; deposit insurance; data and measurement studies; agent banking and

branch network expansion; long-term savings products; know your customer and anti-money laundering.

2) **Credit Working Group:** Improving access to credit, consolidation and coordination among credit bureau initiatives; development of an electronic collateral registry system; evaluation of provisioning standards for microfinance and other loans; improve MSME access to credit.

3) **Payments Working Group:** Establishing interoperability standards; shift from cash to electronic payments by government and private sector; expansion of mobile money networks and move towards e-wallet transactions; deposit insurance for mobile money.

4) **Insurance Working Group:** Expansion of the market place for insurance including coverage types and options; business models for the introduction of agricultural insurance products and micro-insurance.

5) **Financial Education Working Group:** Financial capability for youth and adults; working with educational institutions and other partners.

6) **Consumer Protection Working Group:** Consumer protection issues (i.e., transparency, recourse, data protection, over-indebtedness, fair treatment of clients)

7) **Vulnerable Populations Working Group:** Rural finance; a particular focus of the group will be to provide tools and data for vulnerable populations (i.e., areas with no access, rural farmers, and extreme poor).

E. Monitoring and Evaluation Framework

The Executive Secretary and the Financial Inclusion Technical Team will be responsible for the oversight, coordination and implementation of the strategy. Much of the work will require the active participation of private and public sector financial institutions as well as other public and private non-financial entities. These institutions will be an essential part of the thematic working groups and implementation of the ENIF.

To facilitate progress each working group should report its progress quarterly to the Executive Secretary. On an annual basis the National Financial Inclusion Committee should prepare a report on its activities and progress towards the KPIs identified above and action plan below. In addition to this reporting on activities completed, a strong measurement and evaluation system is needed to track progress relative to the objectives and KPIs of this strategy. This will aid in the identification of successful programs that can be replicated, obstacles that need to be removed, unintended consequences that result and/or tactical re-adjustments of the strategy that are needed.

Key to this measurement and evaluation framework is conducting a full demand-side financial inclusion survey every two years to measure progress against the 2013 base-line survey. The Technical Team will explore options for how best to conduct the survey using existing resources within the DGEEC and/or new resources. Important to this exercise is the recognition that the baseline data includes information at the individual, not household, level. While data on the banks and finance companies in the country is generally available and robust, better information on the size, scale and impact of the 330 cooperatives that focus on financial intermediation and less formal consumer lenders and pawnshops is needed. Within the future demand-side surveys attention will be given to the uptake and usage of products to aid in assessing the impact of these activities.

5. The Action Plan - How do we get there?

The four high-level objectives (i.e., 1) reduce the vulnerability of families, 2) promote outreach of financial services, 3) support access to credit , and 4) balance financial inclusion with stability, integrity and protection) will be achieved through a multi-stakeholder action plan that will be coordinated by the Executive Secretary. The action plan incorporates key performance indicators that have been informed by a gap analysis of demand-side, supply-side, legal/regulatory and consumer protection technical diagnostics that were completed in mid-2014. The action plan is prioritized, identifies the timeframe for actions and specifies which working group will be assigned to the task.

For ease of reference a consolidated list of all policy actions from above that are part of the action plan is listed in Annex 1.

Annex 1

Consolidated List of Policy Actions

#	Task	Priority	Date	Working Group
1	Study and improve the design and business model for financial institutions offering *cuentas básicas*. Then re-promote with consumers and financial institutions.	High	June 2015	Savings
2	Introduce a deposit insurance bill for cooperatives and launching of a fund for all cooperatives primarily engaged in savings and credit services.	High	June 2015	Savings
3	To boost confidence and usage of formal savings, raise awareness of deposit insurance and simplify communication on coverage levels.	Medium	December 2016	Savings
4	Financial institutions (banks, finance companies, cooperatives) should consider developing innovative savings products, such as savings programmed for specific objectives.	Medium	December 2016	Savings
5	Implement targeted demand-side studies to better understand trends in use of informal financial services.	Medium	December 2016	Credit
6	To aid in monitoring over indebtedness, annually receive information at BCP from unsupervised credit providers.	Medium	December 2015	Credit
7	Conduct study of causes for high liquidity in banks, potential impact on credit markets and implement changes as appropriate.	Medium	June 2015	Credit
8	To support secured lending, implement an electronic collateral registry system allowing lender to determine existing liens on assets.	Medium	June 2016	Credit
9	Apply proportional credit definitions and provisioning structure across cooperatives, banks and finance companies if the underlying risks are comparable.	High	December 2016	Credit
10	Refine provisioning methodology to ensure faster provisioning of microcredit loans.	High	December 2016	Credit
11	Consolidate and improve credit information systems through multiple initiatives including lenders sharing positive information, appropriate use of the credit bureau data and data quality and usage rules.	High	December 2016	Credit
12	Establish accuracy, timeliness, disclosure, and recourse standards for all credit bureaus.	Medium	December 2016	Credit
13	Implement *a process to monitor the level of* over indebtedness via improved credit bureau information, regulatory agency communication, non-performing loan data and demand side data analysis.	High	December 2016	Credit
14	Finalize the Guarantee Fund for MSMEs law and issue its	High	December	Credit

	regulations so that the Fund can be implemented.		2016	
15	Explore the possibility of implementing factoring and leasing products in the market.	Medium	December 2016	Credit
16	Increase usage of insurance via new products with a focus on insurance education and promotion.	High	June 2016	Insurance
17	The financial aspects of pre-paid medicine schemes should be prudentially regulated.	Medium	December 2016	Insurance
18	Explore the possibilities of implementing micro-insurance products in the market.	Medium	December 2016	Insurance
19	Increase delivery channel innovations that balance consumer protections and allow insurance companies to deepen outreach in a profitable manner.	Medium	December 2018	Insurance
20	Develop a regulatory framework for obligatory auto insurance (SOAT) and supervise accordingly.	Medium	December 2016	Insurance
21	Promote agent model among banks, finance companies, cooperatives and mobile money telcos. Encourage banks, finance companies, cooperatives and telcos to offer account opening or at least facilitate opening accounts through agents to broaden the payment infrastructure.	High	June 2015	Payments
22	Issue a directive to allow alternative mechanisms of product acceptance and electronic signatures in customer due diligence procedures.	High	December 2015	Payments
23	Encourage usage of e-wallets as opposed to OTC transactions for clients without access.	High	December 2015	Payments
24	Define capital adequacy requirements for e-payment companies.	Medium	June 2015	Payments
25	Consider expanding direct access to the payment system for all financial entities that can meet risk and operational management requirements so that individuals can easily and affordably receive electronic payments.	Medium	December 2016	Payments
26	Evaluate guarantee mechanisms to allow insurance coverage to pass through to e-wallet account holders should the financial institution holding the e-float account fail.	Medium	December 2016	Payments
27	Strongly encourage interoperability of payment systems (e.g., card processors for its services of POS and ATMs, mobile networks, EMPES and financial institutions).	High	December 2016	Payments
28	Demonstrate the benefits of government's move towards electronic payments through cost benefit analysis (i.e., resources from the Better than Cash Alliance).	Medium	December 2015	Payments
29	Through cost benefit analysis encourage private employers to make wage/salary payments electronically.	Medium	December 2018	Payments

30	Conduct a base-line study and impact evaluation (with a control group) of the mandatory financial education curriculum for secondary school.	High	December 2015	Financial Education
31	Develop a National Strategy for Financial Education which expands educational activities beyond secondary school to incorporate teachable moments for adults	Medium	December 2016	Financial Education
32	Implement a national campaign on financial education that shares information through different channels in an engaging way and guides on financial products and services.	Medium	December 2016	Financial Education
33	Implement risk-based market conduct supervision to cover all companies both regulated and non-regulated performing financial services by all the appropriate enforcement agencies of the financial sector (BCP, INCOOP, SEDECO).	High	June 2016	Consumer Protection
34	Clarify the mandates and competence of agencies relevant to financial consumer protection, and establish modalities for information sharing between SEDECO, BCP & INCOOP.	High	December 2016	Consumer Protection
35	SEDECO to issue market conduct rules for all non-prudentially regulated firms (for example, monitoring the usury law, transparency and what constitutes abusive debt collection practices).	High	December 2016	Consumer Protection
36	SEDECO and supervisory agencies to establish internal systems/procedures for receiving and resolving complaints, analyzing complaints information, and making statistics available to the public.	Medium	December 2016	Consumer Protection
37	Promote the development and use of user-friendly price transparency websites and other measures to facilitate comparison, stimulate transparency and enable better consumer choice.	Low	December 2016	Consumer Protection
38	Issue circular or other form of guidance to set out content, wording, and format for Key Fact Statements for adding to contracts and other uses. Initial focus could be on loans/credit cards.	High	December 2016	Consumer Protection
39	Strengthen financial consumer protection units in BCP, INCOOP and SEDECO.	Medium	December 2016	Consumer Protection
40	Investigate methodologies for how the total financial cost of products beyond credit could be calculated and disclosed.	Medium	December 2016	Consumer Protection
41	Promote the access for small producers to production finance . This action should be in coordination with the Credit Working Group.	High	December 2015	Vulnerable Populations
42	Carry out a study on business models of financial products targeted at vulnerable populations and their applicability in Paraguay.	High	December 2015	Vulnerable Populations
43	Designing and implementing a financial literacy program nationally (mass channels) addressed to the vulnerable population. This	High	December	Vulnerable

	should be coordination with the Financial Education Working Group.		2015	Populations
44	Leverage the automated transfer system (ATS) to reduce costs for conditional cash transfer and wage payments and increase their convenience by allowing consumers to choose the financial institutions or mobile network they are delivered to. This action should be in coordination with the Payments Working Group	High	December 2016	Vulnerable Populations
45	Propose strategic alliances between financial institutions of government, the private sector and the telcos to provide comprehensive financial services to vulnerable populations. This action should be coordinated Savings, Credit, Insurance and/or Payments Working Groups as applicable.	High	December 2016	Vulnerable Populations
46	Explore the possibility of insurance companies offering micro-insurance for vulnerable populations. This action should be in coordination with the Insurance Working Group.	Medium	June 2016	Vulnerable Populations
47	Design products and savings incentives that encourage savings among vulnerable populations. This action should be coordinated with the Savings Working Group.	Medium	December 2016	Vulnerable Populations
48	Facilitate development of emergency loan products, associated savings, which aid access to resources at critical times and avoid economic setbacks for families. This action should be coordinated with the Savings and Working Groups.	Medium	June 2017	Vulnerable Populations
49	To aid in understanding the true level of non-performing loans, require banks, cooperatives and finance companies to keep records of loans sold to unsupervised companies.	High	June 2015	Technical Team
50	Strengthen INCOOP as a regulator of savings and credit cooperatives to ensure savings are safe while balancing financial inclusion objectives.	High	December 2016	Technical Team
51	Public Banks: BNF is well positioned to contribute to financial inclusion through the promotion of simplified bank accounts and by leveraging its extensive geographical network presence. CAH can continue to reach out to new populations that are unable to access loans from other institutions with new innovative products such as factoring that can sustainably create new credit opportunities for micro and small enterprises. AFD can promote long-term financing for rural and other MSMEs, by working with more financial institutions that serve MSMEs.	High	June 2016	Technical Team
52	Encourage the development and adoption of banking and cooperative industry codes of ethics.	Medium	June 2016	Technical Team
53	Implement demand-side financial inclusion survey every two years to measure progress on usage and understanding of financial services.	High	December 2017	Technical Team
54	Implement targeted demand-side studies to better understand trends in awareness of consumer protection mechanisms.	Medium	December 2016	Technical Team

55	Implement a process for monitoring the compliance with interest rate caps across lenders.	Medium	December 2016	Technical Team
56	Determine how to consolidate the supervisory structure of the pension schemes.	Medium	December 2016	Technical Team
57	Study the efficiency of financial intermediation in financial sector and impact on consumers and inclusion. Based on findings determine what actions, if any, could be taken to promote competition.	Medium	December 2016	Technical Team
58	Allow financially healthy banks, finance companies and cooperatives to expand branch networks via multi-year expansion plans as opposed to branch by branch approvals.	High	December 2016	Technical Team
59	Secure and encourage long-term pension savings, allow capital markets to create products and ensure that all providers of pensions are supervised.	High	December 2016	Technical Team
60	Create the standards and certification process for institutions to receive a "seal of commitment" to financial education and consumer protection from the government.	High	December 2015	Technical Team