

# **WOMEN'S FINANCIAL INCLUSION, DIGITAL FINANCIAL SERVICES AND COVID-19 POLICY RESPONSE: CASE OF PARAGUAY**



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## PARAGUAY AT A GLANCE

Paraguay is a landlocked country in central South America, bordered by Brazil, Bolivia, and Argentina. The World Bank considered it as one of the South American countries best positioned to cope with the COVID-19 pandemic in terms of fiscal and monetary policy thanks to its stable and disciplined macroeconomic policies with low internal and external debt and low inflation.<sup>1</sup> However, as a key agricultural exporter, the country remains vulnerable to international price volatility and climate change-related challenges.

Paraguay is an upper-middle-income country with an estimated population of 7,152,703, of which 3.55 million are women (49.6 percent). From 2003 to 2019, the share of the population living under the international poverty line sharply decreased from 39.3 to 15.4 percent, due to a nearly doubling of per capita GDP in purchasing power terms and more inclusive social policies. Paraguay's economy strongly recovered in 2021 after a period of economic contraction in 2018 and the negative economic impacts caused by COVID-19.

As the recovery was underway, the country faced a historic drought with the lowest recorded water levels in the Paraná River basin for 80 years. This drought was expected to halve soybean harvest yields, caused a rise in inflation and replaced the COVID-19 pandemic as a principal economic policy concern for the country.

### ECONOMIC RECOVERY

Following the economic recession, the COVID-19 emergency exacerbated national recovery efforts. Despite being unexpectedly challenged by extreme weather conditions (droughts and flooding) and the adverse situation of its trading partners, Paraguay increased its annual GDP by 4.2 percent in 2021. Implementing effective fiscal policies resulted in strong growth in fixed investments (especially public and private construction works) and private consumption.

After a weaker growth in 2022 (real GDP of +0.2 percent), Paraguay is forecast to see a return to a more stable growth trajectory of +4.3 percent in 2023 and +3.5 percent in 2024. By 2021, per-capita GDP purchasing power had exceeded pre-crisis levels.

It is anticipated it will continue to grow in 2022/2023 while unemployment is set to decrease.<sup>2</sup>

FIGURE 1. MAP OF PARAGUAY



Image by gt29/Shutterstock

### PARAGUAY'S FINANCIAL SYSTEM

In Paraguay's formal financial system, 17 banks (eight locally owned, plus one public development bank), and eight active finance companies (taking deposits as well as issuing loans) are supervised by the Superintendency of Banks. In addition, the country has an agricultural fund and a development finance agency. Fifty-five percent of outstanding credits and 60 percent of sector deposits are concentrated across the five biggest commercial banks.<sup>3</sup>

There are 330 financial cooperatives regulated by Instituto Nacional de Cooperativismo (INCOOP).<sup>4</sup> Paraguay has one of the largest cooperative systems in the region: it had 1.83 million members in 2021 (equivalent to nearly 40 percent of the adult population). This is 32 percent higher than in 2013.<sup>5</sup>

1 The World Bank. 2022. "The World Bank in Paraguay". Available at: <https://www.worldbank.org/en/country/paraguay/overview#1> and Freedom House scores Paraguay as partly free (65/100) a score similar to that of Colombia and Bolivia's, and above Mexico's (<https://freedomhouse.org/explore-the-map?type=fiw&year=2022>).

2 IMF. World Economic Outlook, October 2022

3 BCP 2022 and S&P Global 2021.

4 Government of Paraguay. 2014. Paraguay, National Financial Inclusion Strategy. Available at: <https://enif.paraguay.gov.py/storage/app/uploads/public/59b/2a0/7b9/59b2a07b9f33863582998.pdf>

5 2021 figure reported in the 2021 Statistical Report of the World Council of Credit Unions, now covering 458 institutions: [https://www.woccu.org/documents/2021\\_Statistical\\_Report](https://www.woccu.org/documents/2021_Statistical_Report); 2013 figure of 1.39mn coop members cited by ENIF 2014 Available at: <https://enif.paraguay.gov.py/documentos/estrategia-nacional-de-inclusion-financiera>



With total assets of USD 3.1 billion<sup>6</sup> (almost the size of the country's largest commercial bank<sup>7</sup>) co-operatives accounted for 13 percent of Paraguay's financial sector deposits and 17 percent of credits.<sup>8</sup>

In 2013, 29 percent of adults had any formal account (19 percent at cooperatives and 12 percent at banks), there is some overlap with people with accounts at both.<sup>9</sup> Since then, depositors at banks are reported to have increased by 267 percent by the end of 2021, from 865,884 to 3,184,492.<sup>10</sup> Women account for 47 percent of individual deposit accounts, most of which are savings accounts.<sup>11</sup>



Image by Alan Martinez/Unsplash

As in many Latin American countries, Paraguay has a long-established network of payment service points<sup>12</sup> offering over-the-counter payment of bills (utilities, public agency charges), mobile phone top-up and remittances at thousands of small businesses, as well as supermarket chains and even banks and co-operatives. Many low-income Paraguayans still rely on cash and the increase in payment services points has reduced the hassle associated with opening a formal bank account, and this lowered the financial entry point for lower income people.

6 World Council of Credit Unions. Statistical Report 2020. Available at: [https://www.woccu.org/documents/2020\\_Statistical\\_Report](https://www.woccu.org/documents/2020_Statistical_Report)

7 S&P Global 2021. The local subsidiary of Brazil's leading bank Banco Itaú held USD 3.18bn in assets

8 Economía. 14 October 2021. La cámara compensadora de cooperativas logra la inclusión efectiva del sector. Available at: <http://economaviirtual.com.py/web/pagina-general.php?codigo=30739>.

9 ENIF 2014, note: about 2% of adults had accounts at both coops and banks.

10 IMF. Financial Access Survey, data for 2020. Available at: <https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>

11 BCP 2022.

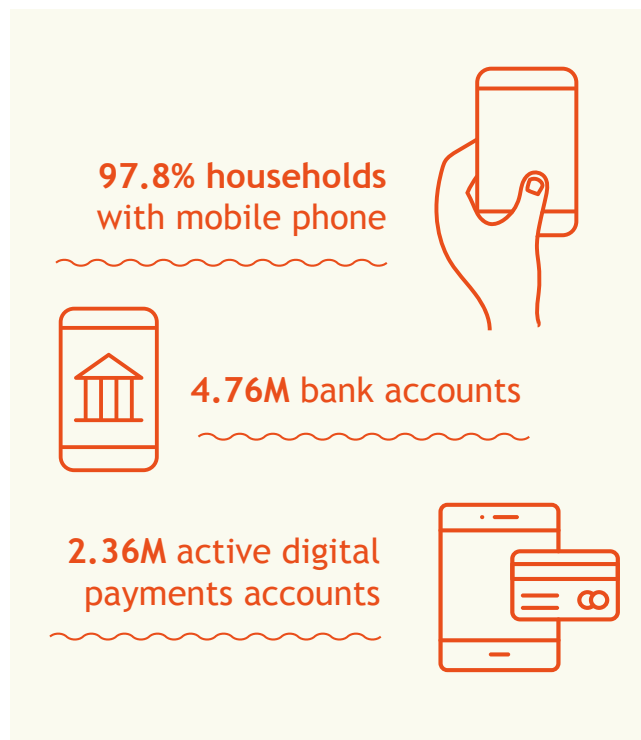
12 The PractiPago network reports more than 1,800 payment service points, its rival AquiPago claims to be larger

13 INE 2021

14 BCP 2022.

## DIGITAL FINANCIAL SERVICES (DFS)

Over the past decade, Paraguay's digital ecosystem gave birth to a newer set of DFS providers which have contributed to boosting financial inclusion.



With around seven million active cellular lines in the country, 98.9 percent of urban and 95.8 percent of rural households use a mobile phone. Regarding internet use, the geographic split remained wide: in 2020, 80.8 percent of urban individuals (10 years or older) used the internet compared to only 61.8 percent of rural individuals.<sup>13</sup>

The Central Bank of Paraguay (BCP) reported in April 2022 that there were 6.35 million digital payment accounts in Paraguay with more than 37 percent of these (2.36 million accounts) being active. If these represented unique users, which is not possible to confirm at present, this would be equivalent to more than 50 percent of the working age population (15 to 64 years of age) having an account. These accounts are distributed over five main electronic payment entities (see chart 1).<sup>14</sup>

FIGURE 2: NON-BANK DIGITAL PAYMENT ENTITIES (APRIL 2022)<sup>15</sup>

ENTITY	BRAND	ACCOUNTS (ACTIVE)
MOBILE CASH PARAGUAY (TIGO)	TIGO MONEY	1,604,189
PERSONAL ENVIOS (PERSONAL)	BILLETERA PERSONAL	487,647
PAGOS ELEC-TRONICOS S.A.	ZIMPLE	35,714
OPERADORA DE PAGOS MOVILES DE PARAGUAY	GIROS CLARO	115,632
NETEL PARAGUAY	Wally	116,342

Paraguay's experience with digital financial inclusion started in 2008, when digital financial services (DFS) were launched through domestic remittances and electronic payments performed via mobile phones. This made the country a pioneer in South America. TIGO MONEY and Personal were first movers who explicitly targeted the unbanked, such as informal sector workers, but both had to experiment with making service offers and processes fit the realities of the existing landscape.

TIGO's choice for simple sign-up, and remittances (including to rural areas) with the assistance of agents providing over-the-counter (OTC) services, led to a notably faster uptake than Personal's choice of linking a person's accounts across several bank partners.<sup>16</sup>

The early start of Paraguay's mobile money service also meant that the user interface of its main providers was built to work on feature phones, essentially present in all households, rather than waiting for low-income people's access to smartphones catching up with the big promise of FinTech.<sup>17</sup>

However, the World Bank Global Findex data implies that ahead of the COVID-19 crisis, the scope of use of mobile wallets did not yet encompass a full set of basic financial needs. They were used for (often OTC-enabled) peer-to-peer money transfers but did not yet have a substantial

share of bill payments (often handled over-the-counter at small stores), merchant payments or salary receipts.<sup>18</sup>

Paraguay's successful growth of mobile wallets had been shaped by an initial phase of exploration and learning (2008-2014) as Tigo and Personal were allowed to operate without dedicated regulation but in close exchange with authorities. Besides the first National Financial Inclusion Strategy (NFIS), BCP launched dedicated regulation for deposit insurance, consumer protection and clear rules that set the basis for new market entrants, reflecting the lessons learned before. In May 2017, regulation introducing an "account for paying remunerations" (cuenta de pago de remuneraciones) without a minimum opening or maintenance balance, no charges, unlimited transactions, and 10 monthly withdrawals without charge, brought new possibilities for the supply side.<sup>19</sup>

This momentum of steady but slow growth may have indicated that before the pandemic — though broadly accessible by way of its set-up — increasing the uptake of mobile money needed a new push to advance financial inclusion. Only 58 percent of adults Paraguayans had heard about using their mobile for payments than credit and debit cards, savings, and current accounts in 2017, although mobile money was the service most often chosen by recent new users.<sup>20</sup>

<sup>15</sup> Ibid.

<sup>16</sup> García Arabéhéty et al. 2017. El caso de Tigo Money y el Proyecto Última Milla en Paraguay: una estrategia colaborativa para la inclusión. Interamerican Development Bank. Available at: [https://downloadapi.paperflite.com/api/2.0/shared\\_url/5d61e1880b593a2b6eb3fadf/asset/5d61e1880b593a2b6eb3fade/download](https://downloadapi.paperflite.com/api/2.0/shared_url/5d61e1880b593a2b6eb3fadf/asset/5d61e1880b593a2b6eb3fade/download)

<sup>17</sup> Already in 2011, a GSMA case study shared the Tigo Cash experience. Available at: <https://www.gsma.com/latinamerica/wp-content/uploads/2011/07/tigopyenfinal.pdf>

<sup>18</sup> World Bank Global Findex 2017. Whereas 82 percent of remittance senders and recipients used mobile wallets for remittances, only 2 percent of bill payers and 5 percent of wage recipients made their transaction via mobile money.

<sup>19</sup> Roa and Villegas 2021.

<sup>20</sup> Financial capabilities survey conducted by CAF with BCP as presented in <https://enif.paraguay.gov.py/storage/app/uploads/public/5c7/fb0/0e9/5c7fb00e94901513769936.pdf>

## CONTEXT

In 2019, Paraguay was already experiencing a recession, which was further exacerbated by a drought's negative effect on the essential agriculture sector. The COVID-19 pandemic further weakened the country's economy in 2020 and made it harder for informal workers, including women, to sustain their livelihoods.

### HEALTHCARE AND THE COVID-19 PANDEMIC

When the COVID-19 pandemic started, Paraguay's healthcare system was already facing capacity constraints, with 10.3 medical doctors and 16.6 nursing and midwife staff per 10,000 citizens (compared to 21.2 and 35.7 for Latin America and the Caribbean).<sup>21</sup> Seventy percent of healthcare workers were based in the cities, thus hindering the delivery of adequate healthcare services in rural areas. In 2019, the average healthcare spending per capita for a year was USD 388 (compared to the LAC average of USD 662).<sup>22</sup>

### PANDEMIC WAVES, POLICIES, AND VACCINATION

The first confirmed case of COVID-19 was announced on March 7, 2020. Following a second confirmed case, public health authorities took strong precautionary measures, declaring a national emergency and implementing a full lockdown by April. The public health system was strengthened by deploying an array of contingency hospitals and increasing the number of beds in Intensive Care Units (ICUs).<sup>23</sup>

In May 2020, the Ministry of Health recommended lifting the quarantine measures by stages (Smart Quarantine) so that workers could return to their jobs and gradually restart the economy. Before the onset of more infectious

virus variants, these containment measures supported by testing and case-traceability strategies ramped up during the lockdown were judged by IMF as successful in limiting disruption and securing growth prospects.<sup>24</sup>

The first wave of infection was reported between August and December 2020 (see Appendix for graphs of COVID-19 cases and vaccinations). Public health authorities reported over 5,000 daily cases during this first wave. The second wave started to reach its peak (over 20,000 daily confirmed cases) by July 2021. It lasted from March through August 2021. By June 2021, Paraguay had reached the highest COVID-related mortality rate in the world (13.8 per million inhabitants) as the healthcare system was under severe stress and vaccinations were behind the South American average. By September 2021, the second infection wave had been managed and mortality and hospitalizations rates were drastically decreasing. The third wave erupted rapidly at the end of 2021 and peaked in the final days of January 2022 whilst death rates remained below half the previous level (see Appendix).



Image by Mirtha Concepcion Rodriguez Roja/Unsplash

Paraguay's vaccination campaign started in February 2021 but continued to lag behind the South American average and the pace of vaccination leveled off by August 2021. Fifty-four percent of the population were vaccinated by mid-May 2022, although substantial portions of the population remain at risk.<sup>25</sup>

21 Calculated on basis of WHO statistical annex 2022: <https://www.who.int/data/gho/publications/world-health-statistics> Bolivia has similar levels as Paraguay, but Paraguay appears underserved given it is at 81% of the regional average in GDP per capita in PPP terms

22 The World Bank. Current health expenditure per capita (current US\$) - Paraguay, Latin America & Caribbean. Available at: <https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD?end=2019&locations=PY-ZJ&start=2000&view=chart>

23 Montiel, Dora., 2020. COVID-19 en Paraguay a 60 días de declarado el primer caso. Rev. cient. cienc. salud; 2(1):06-09.

24 IMF. IMF Country Focus, 2020. Paraguay Beats the Pandemic and Seeks New Growth. Available at: <https://www.imf.org/en/News/Articles/2020/07/01/na0701220-paraguay-beats-the-pandemic-and-seeks-new-growth>

25 WHO. COVID-19 Dashboard, Paraguay. Available at: <https://covid19.who.int/region/amro/country/py>



## OBSERVED IMPACT ON ECONOMY

As in other countries, the lockdown severely impacted economic activity. Investments, consumption, and imports of goods decreased drastically. In April 2020, Paraguay's imports were 60 percent lower than the previous year. Tourism and trade were equally affected by the crisis, both of which are sectors employing a high proportion of women and comprising of many small businesses.

Spending on social protection and public health was a priority, especially as health measures hit people's livelihoods. Paraguay's public health, fiscal, monetary, and regulatory policy meant that despite its -0.82 percent GDP contraction in 2020, this contraction was the smallest in the region. Among its South American peers, GDP shrank between 6 percent (Chile) and 11 percent (Peru) in the first calendar year of the pandemic.<sup>26</sup>

The negative impact of COVID-19 was still broad-based, including in the informal economy. Population activity measures, collected by Google, indicate a drop of more than half in public and shared transport. More than two years into the pandemic, the number of people using public transport has only recovered to one-fifth below pre-pandemic levels.

The presence of people at retail and recreational venues, as well as at places of work, remained at -20 percent for more than a year. However, there was a swift recovery in the second half of 2021. After normalizing activity levels around the turn of the year, activity levels by May 2022 reached some 10 percent for retail and 20 percent for workplaces above the pre-pandemic average.<sup>27</sup>



Unemployment rose from 6.6 percent in 2019 to 7.7 percent in 2020 and remained at that level in 2021 and is forecast to slowly recede to 7.1 percent in 2022.<sup>28</sup>

The 2020 INE household survey reported that two-thirds of women in the labor force have informal jobs. Except for the hospitality industry, it appears that these economic activities have been more severely impacted by public health and voluntary behavior changes than the formal sector. This understanding informed policy priorities by the Paraguayan authorities discussed below.

## A RECENT HISTORY OF DISRUPTED GROWTH

Since 2018, public finances in Paraguay were impacted by slower growth, a drought caused by the effects of climate change in 2019, and the response to COVID-19 in 2021.



The 2019 drought more than doubled Paraguay's budget deficit to 3.8 percent of GDP.

Even with limited net debt of less than 23 percent in 2019, fiscal space was getting constrained in a context of increasing uncertainty among international investors.

With the assistance of the IMF's Rapid Financing Instrument (RFI) and other international organizations, Paraguay was able to secure \$274 million.<sup>29</sup> This respite was needed as 2020 and 2021 saw a budget deficit of 7.2 percent and 6.15 percent, respectively. The return to pre-COVID patterns of consumer behavior<sup>30</sup> aided the Paraguayan economy's recovery of growth (+4.2 percent) in 2021. Renewed severe drought conditions that intensified in late 2021 are expected to derail the return to a stable growth trajectory. The IMF forecasts only +0.3 percent real GDP growth for 2022, with consumer price inflation at 9.4 percent, more than double the pre-pandemic levels.

## THE WOMEN'S FINANCIAL INCLUSION CHALLENGE

Paraguay is still largely rural with 62 percent urbanization, compared to its neighbor Bolivia's 70 percent. With the population dispersed in many smaller cities and towns (the five largest cities account for around one-fifth of the population), physical access to traditional financial mechanisms is a challenge in terms of conventional financial services.

Bank branch density in Paraguay is lower than in neighboring countries (9.8 per 100,000 adults vs. 13.4 for non-high income Latin American and Caribbean (LAC) countries)<sup>31</sup> and those service outlets, including bank agents, are concentrated in urban centers. This skew was also seen in mobile money, which had a stronger urban presence.<sup>32</sup>

26 The World Bank. The World Bank in Paraguay, 2022. Overview. Available at: <https://www.worldbank.org/en/country/paraguay/overview#1>

27 See the activity tracking data provided by Google with chart provided in the country overview pages of this report

28 IMF World Economic Outlook, April 2022. War Sets Back the Global Recovery. Available at: <https://www.imf.org/en/Publications/WEO/Issues/2022/04/19/world-economic-outlook-april-2022>

29 IMF. IMF Country Focus, 2020. Available at: <https://www.imf.org/en/News/Articles/2020/07/01/na0701220-paraguay-beats-the-pandemic-and-seeks-new-growth>

30 See Google Mobility data on the overview pages.

31 IMF Financial Access Survey 2021

32 AFI. 2017. "The Paraguayan Experience with Digital Finance Services". Available at: <https://www.afi-global.org/newsroom/blogs/the-paraguayan-experience-with-digital-financial-services/>

**TABLE 1: USAGE OF ELECTRONIC SERVICE CHANNELS  
(GLOBAL FINDEX 2017 AND 2021)**

USAGE OF ELECTRONIC SERVICE CHANNELS (2021 VALUES IN ITALICS)	WOMEN	MEN	GENDER GAP
Mobile Money account	26.8% <i>37.9%</i>	30.9% <i>37.5%</i>	-4.1% <i>0.4%</i>
Used mobile phone or internet to access an account	25.1%	31.6%	-6.5%
Using the internet to pay bills	4.5% <i>10.8%</i>	4.3% <i>10.6%</i>	0.2% <i>0.2%</i>
Debit card ownership	12.2% <i>15.6%</i>	18.7% <i>15.4%</i>	-6.5% <i>0.2%</i>

The large, rural agricultural districts in Paraguay present a significant challenge for financial inclusion. With a business model focused on in-country remittances and serving the agri-exporter dynamics or relative balanced urban-rural/rural-urban transfers, Tigo stood out covering already by 2021 96 percent of districts that account for 97 percent of the population with 4,616 agents.<sup>33</sup>

However, the Global Findex data indicated that in terms of mobile money accounts and those at formal providers, such as regulated co-operatives, mobile wallet rural usage rates (26 percent) were nearly as high the countrywide average (28 percent), and nearly at the 31 percent for formal financial institution accounts in both settings. The pandemic gave a boost to urban adoption and the gap was now 33 percent to 41 percent.<sup>34</sup>

An individual's level of education and economic inclusion present some limitations to such formal finance.

Adult literacy rates are above Brazil and Bolivia, but completion rates of primary education dropped from 92 percent (2010) to 75 percent (2020) reaching below regional and middle-income levels.<sup>35</sup> Against a backdrop of rising completion rates of secondary schools, gender differences pale in comparison to those by socioeconomic groupings, which are above regional averages.<sup>36</sup>

These trends reflect a drop of public spending on education from a level matching the Latin American and Caribbean regional average in 2013 (4.8 percent of GDP) to merely 3.3 percent in 2020 – similar to the average of fragile states or highly-indebted poor countries.<sup>37</sup>



Closure of more than 1,500 classrooms has disproportionately affected rural areas, which presents particular challenges to attendance even though nine years of primary education is obligatory and free of charge.<sup>38</sup>

In both urban and rural areas, around half of women are in the workforce, whereas men's workforce participation in rural areas is some 10 percentage points higher than in urban settings. The resulting gender gaps are above the regional average of 23 percent.

**TABLE 2: WORKFORCE PARTICIPATION OF POPULATION  
15 YEARS AND ABOVE.**

2020	MEN	WOMEN	GAP IN %
Total Workforce Participation	7.9%	8.2%	3.5%
Urban Area workforce participation	6.4%	5.3%	-0.8%
Rural Area workforce participation	3.6%	2.9%	-3.1%

Sixty-one percent of women are self-employed, domestic workers or unpaid workers in a family business compared to 38 percent of men.<sup>39</sup>

These divergences carried over into the pre-pandemic gaps in financial inclusion: a five-percent gender gap, a seven-percent gap by education (primary or less vs secondary or more) and 18 percent by income (poorest 40 percent vs richer 60 percent). Whereas these two socio-economic characteristics had seen the greatest improvement since 2011, by 2017 women had fallen behind men after starting out with a positive gender gap over the same years, this situation has improved since the recovery from the pandemic has started.<sup>40</sup>

33 García Arabéhéty et al. 2017. El caso de Tigo Money y el Proyecto Última Milla en Paraguay: una estrategia colaborativa para la inclusión. Interamerican Development Bank. Available at: [https://downloadapi.paperflite.com/api/2.0/shared\\_url/5d61e1880b593a2b6eb3fadf/asset/5d61e1880b593a2b6eb3fade/download](https://downloadapi.paperflite.com/api/2.0/shared_url/5d61e1880b593a2b6eb3fadf/asset/5d61e1880b593a2b6eb3fade/download)

34 World Bank Global Findex 2017 and 2021.

35 UNESCO statistics at [data.worldbank.org/UNDP](https://data.worldbank.org/UNDP) Human Development Report 2020 indicates a 15.9 percent dropout rate, compared to 4.4 percent in Bolivia and 7.8 percent in Colombia.

36 See e.g. CEPAL research: <https://www.cepal.org/es/publicaciones/47211-diversificacion-la-estructura-la-escuela-segundaria-segmentacion-educativa>

37 World Bank. Government expenditure on education, total (% of GDP) - Paraguay, Latin America & Caribbean. Available at: <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=PY-ZJ>

38 COPROFAM. 27 February 2020. El sistema educativo de Paraguay está entre los peores del mundo. Available at: <https://coprofam.org/2020/02/27/el-sistema-educativo-de-paraguay-esta-entre-los-peores-del-mundo/>

39 Presentation by Dr. Christian Tondo, Director of the Financial Inclusion of the BCP for "Día del Ahorro 2021" shared with AFI research team

40 World Bank, Global Findex 2011 and 2017



Banks have expanded as the financial system have moved beyond women-accessible co-operatives, and men have adopted mobile money more rapidly than women.



In 2017, 30.9 percent of men held a mobile wallet compared to 26.8 percent of women.<sup>41</sup>

Nevertheless, statistical analysis suggests that this gap is explained by socio-economic status, formal sector income, and the receipt of remittances, rather than any residual social or cultural norms in the context of Paraguay.<sup>42</sup>



Image by Benjamin Shurance/Unsplash

Accordingly, the intersection of lower income and informal labor with gender has become the prime challenge for financial inclusion in Paraguay (see section on NFIS, below).

With commercial banks' business models not yet set for a mass-market focus, and the fact that policy responsibility for financial co-operatives, which focuses on this segment, does not rest with BCP presents a challenge for coordinating financial inclusion policies.

The promise of continued rapid DFS expansion, which had already delivered more than a decade of improved access, is more directly part of the Central Bank's plans and policy: since 2014 dedicated regulation had put e-money issuers under BCP's supervision.

In 2017, mobile money had not yet made it easier for women to come up with emergency funds were a crisis to hit them, 51 percent felt they could not do so compared to 35 percent among men.<sup>43</sup> At that time mobile money had not yet been more deeply tied via full interoperability and expansion of mobile services into the financial system. The principal sources of women's financial support and their ability to offer support remained unchanged for mobile money users: women's emergency support providers continued to be disproportionately via friends and family, whereas men could rely on income from work or the prospect of loans.<sup>44</sup> At least, though, with formal and digital access these women and men were now more easily within reach of any possible support from their communities or the state. Paraguay's authorities realized these vulnerabilities and used effective channels to address them.

By 2021, policy interventions and the recovery from the pandemic appear to have helped. The gender gap in raising emergency funds was now in favor of women (31 percent could not come up with funds vs 32 percent of men). Gaps in income, education and urban-rural divide now predominate. The gender gap in overall financial inclusion is again in favor of women (55.3 vs 53.5 percent).<sup>45</sup>

Basing financial inclusion policies on a sound set of evidence was a priority for BCP as a leader in the LAC region in the collection and reporting of data on social and economic indicators for financial inclusion. By 2017, BCP noted that it was missing out on the gender aspect as data was not being sex-disaggregated. Immediately, it started a project that ended up in 2019 with the publication of sex-disaggregated information of accounts and credits provided by banks and financial companies.<sup>46</sup>

<sup>41</sup> Ibid.

<sup>42</sup> Roa and Villagas 2021

<sup>43</sup> World Bank Global Findex 2017. Whereas 82% of remittance senders and recipients used mobile wallets for this purpose, only 2% of bill payers and 5% of wage recipients.

<sup>44</sup> Ibid. 45% of women who could cope would do so via family and friends work and 30% family) and loans (13%) figured notably more often than for women

<sup>45</sup> World Bank Global Findex 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalindex>

<sup>46</sup> AFI member interview, BCP, November 2021. Available at: <https://www.bcp.gov.py/indicadores-de-inclusion-financiera-1937>

## PRE-PANDEMIC POLICIES AFFECTING (WOMEN'S) FINANCIAL INCLUSION

### NATIONAL FINANCIAL INCLUSION STRATEGY

BCP set up a Financial Inclusion unit at BCP's Superintendency of Banks in 2013, and with the support of the World Bank Paraguay launched its NFIS/ENIF (ENIF in Spanish) in 2014. This gave the country a dedicated framework and set of responsibilities which was particularly beneficial for stakeholders when the pandemic hit.

The NFIS/ENIF highlights the quality and affordability of financial services for all people in Paraguay and the role of private sector initiatives in a diverse and competitive marketplace.

At the outset, however, the NFIS did not involve specific targeting of women's financial inclusion in Paraguay: instead, five income groups constituted the key analytical categories.<sup>47</sup> Over time, though, BCP's policies have increasingly been intentionally designed with women in mind.

Challenges like the pandemic and drought have brought the plight of financially excluded women into sharper relief: they are closely connected to and overlap with the key obstacles to greater financial inclusion (lower income, lower formal economic participation, lower educational standards), their centrality to the country's development and as beneficiaries are seen as particularly affected by these crises.<sup>48</sup> Starting from 2019, Development Bank of Latin America (Corporación Andina de Fomento (CAF)) was supporting BCP in this endeavor, building on its 2017 survey of financial capabilities.<sup>49</sup>

Setting up topical and sub-sectoral working groups, the ENIF also established dialogue pathways and coordination mechanisms for BCP and financial service providers. This includes ENIF payments group that has brought together BCP and all mobile money providers.

As a request of the Central Bank, a new NFIS working group for the promotion of women's financial inclusion was created in 2022 with the coordination of the Ministry for Women and the Finance Ministry. The Central Bank contributes to the working group by providing gender-specific data on financial inclusion and continuous analysis on the topic.

### PROGRAMA TEKOPORĀ

Following the lead of Latin American peers like Brazil and Mexico, Paraguay's Ministry of Social Development (MSD) created a conditional cash transfer program in 2015. Named "The good life" or Tekoporā in the Guaraní language, the program unified previous formats of social assistance, and added elements of coordination with local communities and NGOs, as well as advice to beneficiaries. In 2017, a micro-insurance cover was added to cover life, accidents, and disability risks.

As part of the streamlining of social support via Tekoporā, an ISO-certified payment process was introduced. In addition to transfers onto bank cards, pay-out at cashiers, and "mobile ATMs", transfers to mobile wallets were introduced.



The national development bank BNF supported the mass openings of some 30,000 basic accounts with practical financial literacy sessions and the delivery of Mastercard debit cards sought to actively translate the government to person (G2P) program into financial inclusion.<sup>50</sup>

Women are the common denominator of the various criteria that qualify beneficiaries of Tekoporā: as household managers of poor and extremely poor families, as mothers to children in primary and middle school, as expecting mothers, caretakers of those living with a disability and key persons in indigenous communities - and typically unbanked.

47 ENIF. 2014. Estrategia Nacional de Inclusión Financiera. Available at: <https://enif.paraguay.gov.py/documentos/estrategia-nacional-de-inclusion-financiera>

48 AFI Member interviews, BCP, November 2021 and March 2022

49 Ministerio de Tecnologías de la Información y las Comunicaciones. CAF cooperará para elaborar la nueva estrategia de inclusión financiera. Available at: <https://mediosdigitales.mitic.gov.py/caf-cooperara-para-elaborar-la-nueva-estrategia-de-inclusion-financiera/>

50 Banco Nacional de Fomento. 30 November 2018. BNF realizó entrega de tarjetas mastercard a beneficiarios del programa tekopora. Available at: <https://www.bnf.gov.py/noticias/bnf-realizo-entrega-de-tarjetas-mastercard-a-beneficiarios-del-programa-tekopora-327>



Image by Mirtha Concepcion Rodriguez Roja/Unsplash



Indeed, official estimates indicate that out of 88,000 households that benefited from the program, 82 percent of all beneficiaries are women (i.e., more than 72,100).<sup>51</sup>

As a deliberate effort at streamlining social assistance to the most vulnerable Paraguayans, the program involved a host of public sector stakeholders. In addition to a proven format for channeling livelihood support to low-income households, Paraguay had processes and institutional memory of effective collaboration between key government entities gained well before the pandemic and tested in practice.

Set out for efficiency, and transparency and with multiple routes of accessing financial support that are considerate of obstacles faced by low-income households, this program created a resilient framework for ramping up G2P transactions in case of widespread shocks to aggregate demand such as those experienced in times of the COVID crisis.

### CIUDAD MUJER (CM)

With a similar spirit of coordinating a series of interventions and support, the policy priority of women's socio-economic inclusion and empowerment is bundled in Ciudad Mujer (CM). Following the 2015 example set by El Salvador, Paraguay established centers designed for women that offer advice and capacity building in five key areas that influence women's practical means of developing their potential, having agency, and making use of their rights. These topical modules include economic empowerment — where training related to jobs and entrepreneurship comes with simplified administrative processes for issuing documents and applying for support loans.

Bringing together 17 different public sector stakeholders from the Presidency to the national development bank BNF, CM is another format that established routines of multi-agency coordination.<sup>52</sup>



Image by Jan Schneckenhaus/iStock

<sup>51</sup> The World Bank. 2020. Supporting Social Accountability for Better Outcomes: Paraguay's Tekoporã Conditional Cash Transfer Program. Available at: <https://www.worldbank.org/en/results/2020/10/26/paraguak-tekopora-program>

<sup>52</sup> The Ministry of Labour and Social Security, Ciudad Mujer: Un modelo innovador de gestión pública. Retrieved from: <http://www.ciudadmujer.gov.py/index.php/quienes-somos/modelo-ciudad-mujer>



## MANAGING THE CRISIS RESPONSE

Paraguay was one of the LAC countries that best responded and recovered from the pandemic crisis, due to a host of support measures targeting businesses and affected groups.

National emergency financial policies were approved to ease the access to loans to businesses, digital financial services, and subsidies to informal employees.

In the following chart (chart 4), we break down key emergency policies implemented by both the Government of Paraguay and the Central Bank (BCP).<sup>53</sup>

FIGURE 3: KEY EMERGENCY POLICIES BY THE GOVERNMENT AND BCP

POLICY	EMERGENCY POLICIES IMPLEMENTED BY THE GOVERNMENT OF PARAGUAY	EMERGENCY POLICIES IMPLEMENTED BY THE BCP
EMERGENCY RELIEF FUNDS	<p>USD 400m to support vulnerable populations, USD 45m in emergency funding for small enterprises.</p> <p>An MSMEs Guarantee Fund (USD 500m) has been created to support credit creation in the SME sector.</p> <p>The government has postponed the collection of taxes and user fees for two months in 2020.</p>	<p>The Central Bank allowed banks to automatically refinance loans to private-sector companies that are having repayment difficulties.</p>
CREDITS AND CASH REQUIREMENTS	<p>National Emergency Special Credit Facility (FCE) was created to channel up to USD 760 million in liquidity support to SMEs. The government also allowed banks to automatically refinance loans to private sector companies in repayment difficulties and postponed the collection of taxes and user fees for 2 months.</p> <p>Financial assistance from the IDB Group with a USD 250mn contingent loan provided Paraguay with a possibility to scale up such funding if required</p>	<p>Classical monetary responses reduced minimum cash requirements: both freed up historic amounts of liquidity and allowed banks to automatic refinance: impact seen in an overall stable flow of loans into the market +5 percent in the number loans to legal entities, -2 percent to individuals March 2020 to June 2021.</p>

<sup>53</sup> Economist Intelligence. 2020. Global Microscope 2020: The role of financial inclusion in the Covid-19 response. Available at: <https://www.eiu.com/n/campaigns/global-microscope-2020/>

POLICY	EMERGENCY POLICIES IMPLEMENTED BY THE GOVERNMENT OF PARAGUAY	EMERGENCY POLICIES IMPLEMENTED BY THE BCP
HOME LOANS	The Development Finance Agency (AFD) helped refinance home loans for 60 months and helped SMEs finance working capital needs.	N/A
SUBSIDIES AND MOBILE PAYMENTS	The National Government provided subsidies to informal workers and low-income population with disbursement favoring DFS. All registered e-money providers are supporting these programs by not levying fees for such transactions	BCP modified its Electronic Payments Regulation, increasing transfer limits from approx. USD 500 to USD 1,000, and raising usage limits, with inactivity of accounts declared after 180 days instead of 90 days. <sup>54</sup>

## A MULTI-STAKEHOLDER RESPONSE

With initiatives like Tekoporã and Ciudad Mujer, Paraguay's public sector had established forums for and routines of mobilizing resources across multiple public sector stakeholders for the type of emergency relief and household support policies that become highly relevant in a crisis as disruptive in socio-economic terms as the COVID-19 pandemic.

AFI member Banco Central del Paraguay (BCP) was initially focused on guarding the stability of the financial sector. For this principal pillar of the country's ability to withstand the crisis and undertake recovery, BCP applied capital requirements, macro-prudential regulation on credit risk, interest rates, and liquidity injections.

The pandemic also made clear that operational risk is a non-trivial component of financial sector stability: when conventional channels of access are disrupted, it becomes difficult to keep the economy running. If BCP wanted to mitigate crisis impact and pave the way for recovery, managing the migration to and easing the usage of digital finance became a priority.

In this space, BCP also played a role in fiscal policy responses to fight the pandemic. As the facilitator of access channels, it had helped lay the "rails" on which G2P runs in Paraguay and where crisis response was scaled up.

## ROLES



**Central Bank of Paraguay:** BCP eased access to financial services during this emergency by providing more digital options for unbanked Paraguayans. It also increased the upper limits for digital transactions in mobile wallets and allowed informal workers to benefit from digital financial services. BCP enabled digital services as the main tool through which citizens could receive economic aid from the government.



**Ministry of Finance:** As a key stakeholder in the ENIF process, it was responsible for the fiscal responses to the pandemic, such as the expansion of existing and launch of new G2P programs. In the innovative program targeting informal sector workers, the ministry took charge of cross-referencing applicants against its databases of formal sector employees. It also led the know-your-customer (KYC) process for those who had applied for benefits but were not previous holders of a wallet. This was crucial for expediting uptake without requiring new regulations and infrastructure to enable fully digital onboarding and eKYC.

The Finance Ministry also is BCP's close partner in updating the NFIS as it presides over the Financial Inclusion Council and leads the overall effort.

<sup>54</sup> AFI Interview; November 2021. Interview of 15 key executives from selected AFI members - including all members represented on the GIF Committee of Paraguay.

**Ministry of Social Development (MDS):**

As the principal owner of the Tekoporã conditional cash transfer program, MDS was central to the expansion of social assistance to vulnerable families. With external partners like Bancard, Fundación Capital, Co-Impact, Tigo, and Personal, among others, it also led the transition to digital channels of the advice and assistance services accompanying the program.



**INCOOP:** As a dedicated regulator for the cooperative system in Paraguay, it has been working with the BCP on the creation of a database on financial products and

customers-related data at a national level. This will strongly enhance the evidence base for women-focused policies— as cooperatives are a prime provider of financial services in Paraguay, especially at the frontier of financial inclusion.



**Private Sector:** As the interface to clients, private sector providers of financial services, especially mobile wallets ones,

played a key role in how the population was able to weather the crisis.

Since 2014 under BCP supervision and part of the working group structures under the ENIF implementation, close and tested ties to BCP and other financial inclusion stakeholders existed, and the providers were part of BCP's data collection efforts to inform policies.

This helped expedite the implementation of G2P initiatives. In addition to providing the technological infrastructure for these measures, the providers also were a channel of outreach and communication and source of KYC information from user data captured at the time of SIM card registration.



**Formats of collaboration:** Preparation and implementation of the ENIF have provided Paraguay with a well-functioning structure and practice of coordination. It encompasses public sector peers to BCP,

with complementary agendas, and with (private sector) providers – conventional ones as well as newer ones like MNOs offering mobile wallets.

With these actors mobilized and thanks to such collaboration, Paraguay was able to respond to the pandemic swiftly. BCP was able to rally the stakeholders and integrate financial inclusion as an objective and important enabler into the considerations of policy response. Equally important were such formats to learn about emerging challenges of providers, and for providing guidance and encouragement for taking action.

## DATA FOR POLICY-MAKING

Evidence-based and data driven policymaking is a principle the BCP is increasingly seeking to apply. For example, the design of the NFIS in 2014 and its ongoing revision are informed by demand-side research, to allow BCP to create a complete and detailed picture of the baseline of financial inclusion and understand the use of formal and informal practices alike.

Covering 25 supervised entities, BCP has a set of supply-side data to work with. A “Central de Información” acts as repository of highly granular data about all active and passive positions at the level of individual clients at these supervised financial institutions.

However, the information shared by financial institutions was not made available in a sex-disaggregated manner by default. After the 2016 [Denarau Action Plan](#) (DAP) commitments on women's financial inclusion, BCP was one of first AFI members in the LAC region to show an active interest in exploring sex-disaggregated data. With technical assistance organized by the Inter-American Development Bank (IDB), BCP explored what was feasible and how to facilitate a differentiated view of women.

The availability of supply-side data at the level of individual clients not only allowed a true view of the state of financial inclusion (in contrast to data at the level of accounts), but also offered BCP a pragmatic solution to achieving sex-disaggregated analysis of financial sector users. Instead of engaging financial institutions, changing mandatory reporting requirements, and being faced with a litany of IT upgrade schedules, cost implications, and possibly data quality control issues, BCP could perform the disaggregation itself.

Based on the national ID captured as part of the KYC process, BCP was able to identify the respective encoded gender-related information about individuals and thereby turn the dataset into gender data.<sup>55</sup>

<sup>55</sup> AFI member interview, BCP, February 2022



As the BCP's Director for Financial Inclusion Christian Tondo highlighted:

*"The first time this sex-disaggregated data became available was like switching the light on in a dark house."*<sup>56</sup>

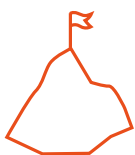
The Central Bank's policymaking has since taken the gender perspective into consideration in policy design.



BCP has advocated for more effective targeting of women, with other stakeholders in financial sector development, well before this will be enshrined as a specific area of financial inclusion policy in the update of the National Financial Inclusion Strategy.

Setting up this system put BCP into an enviable position of having their finger on the pulse of financial inclusion in the country. However, BCP faces new problems: how to make good use of all the available data? What questions to ask of this data so as to usefully generate insights that make for good policy interventions? What types of analysis should be undertaken?

During the pandemic, these datasets allowed a near-time sense of the impact of COVID-19 and policies on the finances and usage patterns of financial services of citizens and businesses. This gave BCP a clearer notion of where its priorities for stabilization, support and recovery interventions should be – and gave the Central Bank an important role in advising its public sector peers.



With its ability to understand the crisis impact at a granular level, Paraguay is one of the leading AFI members in this area. By the end of 2021, many other AFI members still did not have evidence of how (women's) financial inclusion had fared.

The data collected also confirmed the BCP's impression that the pandemic impact was lighter for those in the formal sector and with a bank account, thus highlighting the merit of focusing relief efforts on informal workers.



Image by UX Indonesia/Unsplash

BCP is currently strengthening its gender data analytics capabilities. This effort is not only an example for the country's private financial service providers to follow in their further collection and reporting of sex-disaggregated data, but it is also expected to yield results soon.<sup>57</sup>

Some data gaps however remain to be filled. Given the importance of financial cooperatives in serving low-income clients in Paraguay, BCP has also engaged the co-operative's regulator INCOOP in recent years, with the aim of connecting their databases to be able to retrieve essential information on financial products and customers.

Areas for further development can be around the data about beneficiaries under the various G2P programs which is still not been published in a sex-disaggregated manner. Mobile money provider data can also still be embedded more closely in the gender data practices of BCP.<sup>58</sup>

<sup>56</sup> Ibid.

<sup>57</sup> AFI member interview, BCP, February 2022

<sup>58</sup> AFI member interview, BCP, November 2021. The set of indicators reported in BCP 2022 does not include sex-disaggregation of mobile money

## POLICY RESPONSE IN FOCUS - MAKING GENDER FOCUS WORK IN PRACTICE

Paraguay strengthened its women's financial inclusion policies during the COVID-19 crisis by committing to generate and share sex-disaggregated data, investing in SMEs, and improving its digital financial services ecosystem.

### AFI MEMBER GENDER POLICY ALIGNMENT

Already committed to Gender Inclusive Finance through its work on the NFIS and its participation in the DAP, BCP's leadership realized that an effective crisis policy response is constrained by households remaining outside of the reach of formal finance. Women are the prime constituency for addressing this challenge.<sup>59</sup>

As data from the Global Findex and from the CAF's survey on financial capabilities had shown before the crisis,<sup>60</sup> Paraguay is facing gaps in access and usage, principally along socio-economic dimensions (rather than geographic, age or gender ones).

The importance of a focus on women is therefore not only about closing the gaps in financial inclusion that are seen at the aggregate level between Paraguayan men and women. But it is also about women as crucial decision-makers in, and gatekeepers to, the financial management of un- and underserved households. This practical notion comes with the promise of leveraging women as multipliers of support — especially when they act as caretakers to the vulnerable like elderly people or those living with disabilities. Given that the CAF recommends to Paraguay's policymakers to make even more use of the “transversality” of social programs and financial inclusion with women as a target beneficiary.<sup>61</sup>

When it comes to sustaining Paraguayans during the pandemic, however, a gender lens is needed as women's have a more limited ability to deal with emergencies

because of the structural barrier they face in society. Here, gender gaps are notably wider: six percent for dealing with a shortfall of one month income and even eight percent for the ability to make ends meet during normal times.<sup>62</sup>

### CRISIS RESPONSE POLICIES MADE TO WORK FOR WOMEN

The Tekoporã G2P program with a strong focus on women proved its utility in pandemic relief and for financial inclusion. Serving some 10 percent of households in the country and some 550,000 beneficiaries in those families, the program ramped up financial support by half during the pandemic. With mobile money already incorporated as one of disbursement channels, beneficiaries were able to shift seemingly to receiving funds in this manner when cash counters were shut during lockdowns.



Image by Vale Martinez/Unsplash

The elements of capacity building embedded in Tekoporã offer a unique opportunity to entrench habits of formal finance and addressing the identified strong financial capabilities shortfalls more completely.

This integrated approach of financial and non-financial assistance had proven a key aspect of the program's impact. Therefore, migrating not just the cash transfers onto digital channels became a priority. MDS had already been working with Fundación Capital and Co-Impact since 2019 on bringing the face-to-face

<sup>59</sup> José Cantero, head of BCP in “Conversatorio de Inclusión Financiera”, 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLVIUUs>

<sup>60</sup> CAF, Encuesta de Capacidades Financieras, results for Paraguay 2017. Available at: <https://www.caf.com/es/conocimiento/datos/visualizador-encuesta-de-capacidades-financieras/> e.g. less than two-percent gender gap on current use of any financial product vs >13 percent between C2 and D socio-economic group. A three-percent gender gap in savings turns to six percent for part-time vs full-time work and 19 percent between C2 and D segments.

<sup>61</sup> Presentation by Diana Mejía, CAF, 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLVIUUs>

<sup>62</sup> Ibid. vs no urban/rural gaps on both measures, a 10 percent one between C2 and D/E segments

parts of social and economic inclusion support into a more scalable format. Between May and October 2020, “Tekoporã Te Acompaña” (Tekoporã Accompanies You), brought content adjusted to the challenges of the COVID-19 pandemic and transitioned its delivery especially into WhatsApp groups run by the program’s family guides. As 80 percent of beneficiaries shared content with friends, neighbors and families, the impact of this support grew further.<sup>63</sup>

During the pandemic, vulnerability among Paraguayans expanded rapidly — and the data available to the authorities suggested that those in the informal economy were both more intensely affected and had fewer ways to cope.



Within weeks of the first outbreak in the country, an emergency law had designated USD 300 million for assisting up to 1.5 million citizens in the informal economy, where some two-thirds of the country’s women earn their living under the Pytyvõ program.<sup>64</sup>

Earlier such an endeavor might have seemed like a major bureaucratic challenge bound to see delays and leakage of funds in the face of no dedicated records and financial exclusion of the targeted population.

Paraguay’s experience with conditional cash transfers indicated pragmatic, swift, and efficient ways to distribute funds to those in need. The country’s mobile money offers were easy to access and use, realistic for funds disbursement even for the unserved. Not having records on informal workers could be flipped into a check of who would qualify.

Applicants requesting the support for informal workers via any of the digital channels set up would provide their ID numbers — which was checked against the records of the pension system, social security, and personal income tax filings.

Those not covered by any of the indicators were — by way of exclusion — determined to be legitimately informal economy participants, and eligible under the program for 25 percent of the minimum salary.



Those who lost a job but were already covered by social security contributions would receive 50 percent of minimum salary payments.

As a part of fiscal policy and given the respective datasets against which eligibility was checked, the Finance Ministry oversaw this intervention.<sup>65</sup>

A similar procedure was adopted to provide one-off assistance for paying for food (“Nangareko”) to about 330,000 most vulnerable people, distributed by the National Emergency Secretariat.<sup>66</sup>



For regions particularly affected, further one-time cash transfers of USD 70 were paid to some 20,000 beneficiaries in September and December 2020.<sup>67</sup>

Indeed, distribution of food as in-kind support to families had been discussed as a policy alternative to the informal worker cash transfers. BCP’s leadership is clear in its assessment that neither the scale nor the speed of the support delivered via the DFS payments could have been even remotely mirrored with such a policy. And in the context of the pandemic, the risk of people crowding at food handout sites would have carried substantial risk of making the underlying problem worse.

Indeed, within the first few weeks of the new program, some 1.3 million new wallets were opened at the three participating mobile money providers. This is equivalent to more than one in four adult Paraguayans. For benefit recipients, the Finance Ministry handled the KYC process, thus effectively creating not only a massive expansion of first-time users of formal finance but also a new level of understanding of the country’s informal economy and the women and men that make it up.<sup>68</sup>

63 C. de Miranda, et al. 2021. Social Protection Goes Digital: Lessons from an Innovative, WhatsApp-Driven Outreach Campaign in Paraguay. Available at: <https://nextbillion.net/social-protection-digital-innovative-whatsapp-paraguay/?deliveryName=DM98990>

64 AFI Member interview, BCP, November 2021

65 IP - Agencia de Información Paraguaya. 2020. Inicia registro para asistencia a trabajadores del sector informal afectados por pandemia. 07 April 2022

66 Secretaría de Emergencia Nacional. Nangareko. Available at: <https://www.sen.gov.py/index.php/acciones/nangareko>

67 Secretaría de Emergencia Nacional. Decreto No. 3990/2020 - Decreto No. 4385/2020. Available at: <https://www.sen.gov.py/index.php/acciones/transferencias-monetarias>

68 AFI member interview, BCP, November 2021



In Paraguay as throughout the world, formal small businesses, as important employers with limited resilience, constituted another policy priority. Crisis response to the disruptions experienced by SMEs brought together BCP, the Finance Ministry and Development Finance Agency (AFD). In the market assessment of these stakeholders, the 20 percent of SMEs in Paraguay that are women-led were seen as particularly affected.

The efforts that went into the upgrade and expansion of AFD's MSME guarantee fund (FOGAPY) saw a rarely-used tool ramping up to some 30,000 exposures, 86 percent of which were for SMEs. After a peak in 2020, the fund continues to operate at high levels (1,200 per month), actively used by most financial institutions and as a tool to be able to serve sectors and clients such as women perceived (often undeservedly) as riskier.

In consequence, BCP even observed the emergence of dedicated women SMEs offers by commercial banks. Two Paraguayan institutions joined the Financial Alliance for Women. With its focus on addressing shortfalls in assets that can serve as collateral, FOGAPY is seen as a key policy tool in addressing access-to-finance hurdles of women SMEs. It covers 20 to 70 percent of the loan value.<sup>69</sup>

More often entrenched in their informal status than their male-led peers, women SMEs may have undergone a change of mind due to Paraguay's support measures. BCP sees the pandemic as a learning experience for many MSMEs. Those with informal practices found that they would not be able to receive the full support their more formal peers of equal size could access from crisis response policies. Now that MSME's employees' ability to access financial support during a crisis had also been vividly demonstrated, there should be even more push-factor momentum for formalization.<sup>70</sup>

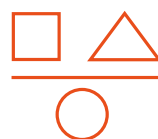
### ORGANIZATIONAL FOCUS ON WOMEN FINANCIAL INCLUSION

In the first edition of Paraguay's NFIS, the importance of women to achieving the country's financial inclusion objectives was not yet an explicit topic. Indeed, vulnerable populations were defined in terms of parts of the country with little or no financial service infrastructure and high incidence of poverty.

In subsequent years and during the pandemic, the importance of gender became increasingly evident to policymakers, especially relating to active use of

formal finance. Consequently, as of 2019, BCP lobbied for the set-up of a dedicated ENIF working group, which also involves stakeholders like the Women's Ministry. Already prior to this set-up with the new ENIF, women are addressed as a transversal issue across existing working groups.<sup>71</sup>

BCP sees a clear increase over the past five years in the attention given to gender aspects, especially practical concerns about how to reduce the gaps, overcome hurdles women face. As part of its own NFIS revision process undertaken in 2021 and 2022, a more dedicated approach to women's financial inclusion has been singled out as a focus area for the next phase of the NFIS.



This new policy will address women's financial inclusion as a key strategy that promotes the reduction of financial informality, improves transparency, fosters economic development, reduces social injustice, and expands financial markets.

Constraints to consider in policy design identified by BCP include the three times higher incidence of young women being neither in education nor work in Paraguay, than their male peers, or the eight-percentage point gender gap in digital commerce payments.

This is one of the aspects that has already emerged as a policy priority: among nine Latin American Countries surveyed by CAF for financial capabilities, Paraguayans had the lowest overall score, and women lag behind men (3.11 out of 7 vs 3.43).<sup>72</sup> BCP is considering a more active set of capacity building interventions – including in fostering the entrepreneurial skills of women with dedicated programs.<sup>73</sup> The pandemic has furthermore brought up the issues of resilience and ability to cope with (financial) emergencies, where women in Paraguay are at a disadvantage.

Understanding the importance of getting a clearer sense of the needs and constraints of the underserved, BCP is undertaking new demand-side baseline studies jointly with CAF to inform the NFIS update.<sup>74</sup>

<sup>69</sup> AFI member interview, BCP, February 2022

<sup>70</sup> AFI member interview, BCP, November 2021

<sup>71</sup> AFI member interview, BCP, February 2022

<sup>72</sup> Presentation by Diana Mejía, CAF, 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLvZIUUs>

<sup>73</sup> BCP, 2021. Perspectivas de Inclusión Financiera, preparando la ENIF para el 2022. Webinar posted 15 December 2021. Available at: <https://www.youtube.com/watch?v=0sqxXmLYv8U>

<sup>74</sup> Presentation by Diana Mejía, CAF, 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLvZIUUs>

## THE ROLE OF DFS

By creating a DFS ecosystem built for access and capable of scaling up rapidly, BCP enabled a swift and wide-ranging crisis response. This, in turn, catalyzed the country's transition to formal finance.

Together with a few AFI members like Togo ("Novissi" program) and Morocco, Paraguay stands out in swiftly leveraging the opportunities of an inclusive DFS ecosystem into crisis relief to particularly vulnerable populations.

Conventional policy tools in the country would have been limited to supporting formal businesses and workers. In Paraguay, these people tend to be broadly banked but they were not the most affected by the pandemic. The wide-spread adoption of digital channels before the crisis helped sustain the use of formal finance by the banked during the crisis.



Image by David Dvoracek/Unsplash

As the pandemic disrupted the livelihoods of informal workers, the policy responses that were being prepared needed a channel to reach such beneficiaries, urgently. The mobile money ecosystem had flourished since the launch of Tigo Cash in 2008: other MNOs followed suit, and more recently newer smartphone-app based multi-bank wallets have also appeared. The more basic offers utilizing USSD short codes that also work on feature

phones fit with the near universal use of mobile phones among households in Paraguay.

This provided an opportunity for translating the policy objectives for crisis response into practice for informal workers – a group where women account for two thirds of the total. In the non-bank providers, BCP saw a set of actors it could mobilize. The regulator had experienced the mobile wallet providers as interested in lower-income clients. Importantly, they had also shown a willingness and ability to act fast, driven by fierce competition. The structures for collaboration that had grown out of the ENIF provided a way for BCP, its public sector colleagues and providers to address this challenge, together. Four MNOs had contributed actively in the ENIF working groups on payments.

Without these established working relationships, up-to-date regulatory framework and the ENIF as guiding policy fully aligned among government entities, BCP feels harnessing DFS for crisis response would not have moved as fast.<sup>75</sup>

Driven by the unprecedented offer of financial aid to informal workers, progress was made rapidly.



Between March and September 2020, 1.3 million new mobile wallets were opened – a growth of 78 percent.

Almost all of that growth occurred directly in Q2/2020. Transaction numbers increased in line with this growth.<sup>76</sup>

This represents a massive expansion for women's financial inclusion: clients who were previously outside of the system are now registered, KYC'ed, and relied on DFS in difficult times.



In the conventional banking system, even the entry-level basic savings account (CBA) grew by 25 percent to some 700,000, whereas regular current and savings accounts expanded by 13 percent and 15 percent, respectively (reaching three million savings accounts).

For CBA, women enjoy a 50 percent market share.<sup>77</sup>

<sup>75</sup> AFI member interview, BCP, November 2021

<sup>76</sup> Presentation by Dr. Christian Tondo, Director of BCP's Financial Inclusion Department for World Savings Day, "Datos y tendencias de inclusión financiera", 3 November 2021

<sup>77</sup> CBA had a 50 percent participation by women, whereas for current accounts it is only 38 percent

Financial institutions with a more complete set of services such as banks and co-operatives offer further opportunities for generating financial resilience. To make them a bigger part of the DFS-drive for financial inclusion in Paraguay, BCP is now looking to establish standard guidelines for obligatory payroll accounts (cuenta de nómina). Free of charges for opening, maintenance, and debit card use, and without having to have a minimum account balance are requirements to expedite the uptake of fuller financial services.<sup>78</sup>

The DFS-led crisis response by so many women was also underwritten by an improvement in the infrastructure of DFS access. Even with the long-standing history of mobile money, the pandemic saw a push to expand the network of agents.



Between the start of the pandemic in March 2020 and April 2020, Paraguay's banking agent network more than doubled to some 7,951 (or around 176 per 100,000 adults).

This growth followed the expansion of user numbers. This is 15 times more than the number of bank service outlets, which decreased by 10 percent over the same time.<sup>79</sup> However, commercial banks did also upgrade or launch digital self-service access channels during the pandemic.

Even mobile money operators continued increasing their network of agents: Tigo Money's 3,250 agents in 2015 further increased to 4,616 in 2021.<sup>80</sup> The complete agent network of the five MNO that are currently working in Paraguay reached 33,973 agents in October 2022.<sup>81</sup>

After the initial rush of new mobile wallet openings, a pre-pandemic trend of consolidation reappeared. One year after the initial jump, around half of this increase remained. A new plateau had formed - the new level in transactions was substantially higher (a growth of 46 percent vs 33 percent for the number of active mobile money accounts). It remained essentially at this higher 'new normal' by the first quarter of 2022.<sup>82</sup>

To sustain this more intense activity, BCP modified its Electronic Payments Regulation, which improved some features of e-money accounts, increasing the amount limits to be transferred from approx. USD 500 to approx. USD 1000, and raising usage limits, with inactivity of accounts declared after 180 days instead of 90 days. Thereby BCP avoided a need for those with DFS accounts not actively used in the past, having to sign up fully from scratch to be now make use of DFS in times of social distancing.

In reviewing the ENIF's impact before and during the pandemic, CAF highlights the mobile money regulation as fundamental for the use of (digital) financial products by vulnerable groups, especially low-income women. Backed by high levels of penetration of (simple) mobile phones and usage familiarity and facilitated by the deployment of DFS agency points in the poorest and financially least served parts of the country, the expansion of the cash transfer program during the pandemic was able to work its wonders.<sup>83</sup>

Paraguay's pattern of DFS-enabled growth during the pandemic is remarkable in its pattern of expanding the frontier of financial inclusion and doing so with gender impact.

By the time of the 2021 Global Findex survey, the gender gap had returned to being two percentage points in favor of women, as it had been a decade before at less than half the level of market penetration (55 for women to 53 percent for men). At a time when accounts at commercial banks hardly increased for women (just +0.3 percent to 29.5 percent) and dramatically dropped for men (from 33 to 25 percent), mobile money increased its share of the population by one fifth for men and more than two fifths for women.<sup>84</sup>

Less than one in three of female mobile money users (11.8 percent of women) overlap with users of formal financial institutions, indicating the strong net contribution to financial inclusion that the blend of a favorable regulatory environment, crisis response policies and a technology and business model set-up fit for low-income clients were able to unlock in Paraguay.

78 Presentation by BCP Director María Fernanda Carrón, "Conversatorio de Inclusión Financiera", 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLVIUUs>

79 BCP 2022

80 García Arabéhéty et al. 2017. El caso de Tigo Money y el Proyecto Última Milla en Paraguay: una estrategia colaborativa para la inclusión. Interamerican Development Bank. Available at: [https://downloadapi.paperflite.com/api/2.0/shared\\_url/5d61e1880b593a2b6eb3fadf/asset/5d61e1880b593a2b6eb3fade/download](https://downloadapi.paperflite.com/api/2.0/shared_url/5d61e1880b593a2b6eb3fadf/asset/5d61e1880b593a2b6eb3fade/download)

81 BCP, Indicadores y Datos de Bancarización. Available at: <https://www.bcp.gov.py/indicadores-de-inclusion-financiera-i937>

82 BCP 2022.

83 Presentation by Diana Mejía, CAF, 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLVIUUs>

84 World Bank Global Findex 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: <https://www.worldbank.org/en/publication/globalfindex>



As in other countries, the disruption of access to physical service outlets by public health measures highlighted remaining gaps to a fully enabling DFS regulation. In December 2021, Paraguay adopted a new law enabling fully electronic contracting and onboarding and updated KYC.<sup>85</sup> This should facilitate further fully remote financial services, thereby reducing time and mobility constraints as obstacles to women's financial inclusion.



Image by IA Huh/Unsplash

Paraguay has thus seen a real boost of digitally enabled financial inclusion with many new marginal clients coming on board, thus turning the crisis into an opportunity. To fully reap these benefits, financial deepening and usage needs to now be a policy focus, keeping the new clients (and the funds mobilized from them) inside formal financial services for more of their needs. Expanding the use of formal payments is one of the principal next steps identified by BCP for the upcoming Law on Financial Inclusion and Transparency. In close collaboration of BCP with INCOOP and the Finance Ministry, this law is to set a new framework for more actively promoting formalization of business and financial practices. In the eyes of BCP, addressing

<sup>85</sup> <https://www.bacn.gov.py/leyes-paraguayas/10318/ley-n-6822-de-los-servicios-de-confianza-para-las-transacciones-electronicas-del-documento-electronico-y-los-documentos-transmisibles-electronicos>

informality is a key component and enabler of financial inclusion – an aspect deserving of more attention in the AFI community.<sup>86</sup>

With a blend of requirements for payers of salaries, wages, and social benefits and incentives (e.g., on the tax deductibility of the business transactions behind payments, expedited opening of businesses and their tax registration), BCP hopes to expand the share of income that lands in accounts rather than in recipients' hands. The DFS G2P experience built up in Paraguay will next be applied to support older persons.<sup>87</sup>

The challenge that income received in formal accounts, should remain and circulate on these accounts is essential to more comprehensive DFS-led financial inclusion. As decision-makers on household finance, women are central to achieving the transition to less cash use.

Neighboring countries offer inspiration. In Uruguay, small merchant payment acceptance points grew by five times and cards payment volume by 46 times as VAT rebates further incentivized the 40 percent of adults who in recent years opened accounts for the first time to transition away from cash in their everyday purchases.<sup>88</sup> Even more recently, in Brazil where despite higher levels of financial access, cash usage had remained ubiquitous until Banco Central do Brasil (BCB) launched the Pix instant payments system.<sup>89</sup>



Following these examples, Paraguay launched its own instant 24/7 interbank payment system (Sistema de Pagos Instantáneos - SPI) in May 2022.<sup>90</sup>

With the experience of social distancing still fresh, the time may never have been better for these next steps.

<sup>86</sup> Presentation by BCP Director María Fernanda Carrón, "Conversatorio de Inclusión Financiera", 07 March 2022. Available at: <https://www.youtube.com/watch?v=JATWLZIUUS>

<sup>87</sup> AFI member interview, BCP, February 2022

<sup>88</sup> Fernando Lorenzo, CINVE, "Conversatorio de Inclusión Financiera", 07 March 2022

<sup>89</sup> The Economist. Digital Payments have gone viral in Brazil. 14 May 2022 edition. Available at: <https://www.economist.com/finance-and-economics/2022/05/14/digital-payments-have-gone-viral-in-brazil>

<sup>90</sup> La Nación. 22 October 2021. BCP liberará transferencias bancarias 24/7 desde mayo del 2022. Available at: <https://www.lanacion.com.py/negocios/2021/10/22/bcp-liberara-transferencias-bancarias-247-desde-mayo-del-2022/>

## CONCLUSION

Paraguay has managed to put its financial inclusion policies to beneficial use for crisis their response and resilience to these adverse shocks.

One central aspect was the scale-up to around 10 percent of households that targeted informal beneficiaries typically at the margins of the financial system. Women are the common denominator — as an affected group, gatekeepers, or care-takers — of the various aspects of vulnerability that such programs address. Designing these solutions around their needs and constraints is therefore key to achieving fast uptake and prolonged usage.



Image by Natibio/Pixabay

Fiscal constraints may not permit a social transfer scheme of such scale permanently in some countries. However, even a residual program at a smaller scale can provide a central tool for crisis response, given Paraguay's infrastructure and ability to swiftly enlist beneficiaries and a disbursement process that is easily accessible even for previous non-users. Scale-up is a quicker route to crisis response than set-up from scratch at a time when policymakers' attention is absorbed by a fast-moving and encompassing emergency.

Paraguay's social transfer scheme provided a blueprint for a much larger COVID-19 pandemic policy response. The fiscal policy response for informal workers, led by the Finance Ministry, was launched swiftly.

For countries with a substantial informal sector, the experience of Paraguay indicates that it does not have to constitute a blind spot for livelihood support in times of crisis. The experience of fellow AFI member Togo with its "Novissi" program (or of India's digitized G2P schemes, for that matter) signals that this approach also holds promise for countries at lower income levels.<sup>91</sup>

This was possible due to BCP having facilitated the emergence and growth of mobile wallets with low entry thresholds (USSD interface, simple KYC). Adding to that are well-established structures of stakeholder collaboration that came out of the NFIS process and out of the practice of setting up and running multi-stakeholder programs. These formats allowed for the solution-oriented policy-practice exchange when it mattered most.

The diversity and capability of FSPs proved crucial in their efforts to advance women's financial inclusion, particularly non-bank players who were able to expand the frontier among informal workers reflects positively on the local DFS ecosystem. It appears closer to East African practices requiring no smartphones and less digital skills than in many Latin American countries.

These reflect choices of ways regulators can shape a financial system and formats of access and usage that works for women (also better for many men).

Paraguay has seen the benefits accrue in the expedited pace of DFS adoption by new users and those migrating from conventional channels disrupted by the crisis. In a few weeks, 1.3mn newly created mobile wallets were set up and are still widely used. More than one-quarter of the adult population of Paraguay received access to potential financial support from private or public sources, resilient to lockdowns and social distancing. These factors contribute to a more resilient financial system, more effective funds mobilization, as well as financial intermediation, and the formalization of Paraguay's economy.

Shaping a formal financial ecosystem that is — in principle — designed for inclusive practice has shown its relevance for a crisis like the pandemic, which from the start affects not merely those in formal employment.

<sup>91</sup> Paraguay's GNI per capita in purchasing power terms (USD 12,680) is six times that of Togo.



Image by Redowana Rashid Hridy/Shutterstock

BCP's ability to understand the extent of the challenge and help design an effective response benefitted from 4 years of work on collecting, cleaning, and analyzing supply-side data centrally and in a sex-disaggregated manner.

The availability of a fine-grained basis for evidence-based policymaking is crucial for BCP to identify challenges and strategic relevance of women, build consensus around an increased gender focus, and take targeted action.

AFI members cannot travel back in time to replicate the elements of Paraguay's preparedness for a crisis response but they can take these elements forward in their future planning: data for evidence-based policymaking, women-centric and DFS-enabled G2P programs, routine multi-stakeholder collaboration around issues of financial inclusion and social impact, and a DFS ecosystem where competition and low-thresholds to adoption are enabled by regulatory practice.

Regulators and supervisors can start filling their respective gaps so that whatever the shape of the next crisis, it is met with more resilience, impactful response, and rapid adoption of formal financial services by the women and men whose lives would otherwise be upended.

## ACRONYMS

AFD	The Development Finance Agency
AFI	Alliance for Financial Inclusion
BCB	Central Bank of Brazil (Banco Central do Brasil)
BCP	Central Bank of Paraguay (Banco Central del Paraguay)
BNF	Banco Nacional de Fomento, Paraguay's state-owned national development bank
CBA	Basic Savings Account (cuenta básica de ahorro)
CAF	Development Bank of Latin America (Corporación Andina de Fomento)
DFS	Digital Financial Services
ENIF	Estrategia Nacional de Inclusión Financiera (see NFIS)
FCE	National Emergency Special Credit Facility
FOGAPY	Fondo de Garantía del Paraguay, guarantee fund of Paraguay
G2P	Government-to-people (i.e., social security and similar payments)
GDP	Gross Domestic Product
ICU	Intensive Care Unit
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INCOOP	Instituto Nacional de Cooperativismo
KYC	Know Your Customer, set of processes to confirm the identity of the organizations and individuals
LAC	Latin America and the Caribbean
MDS	Ministry of Social Development
MSME	Micro, Small & Medium Enterprises
MNOs	Mobile Network Operators
MSD	Paraguay's Ministry of Social Development
NFIS	National Financial Inclusion Strategies
NGO	Non-Government organization
OTC	Over-the-counter
RFI	Rapid Financing Instrument
USSD	Unstructured Supplementary Service Data, a Global System for Mobile Communications (GSM) protocol that is used to send text messages



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## APPENDIX

### COUNTRY SNAPSHOT: PARAGUAY (2020)

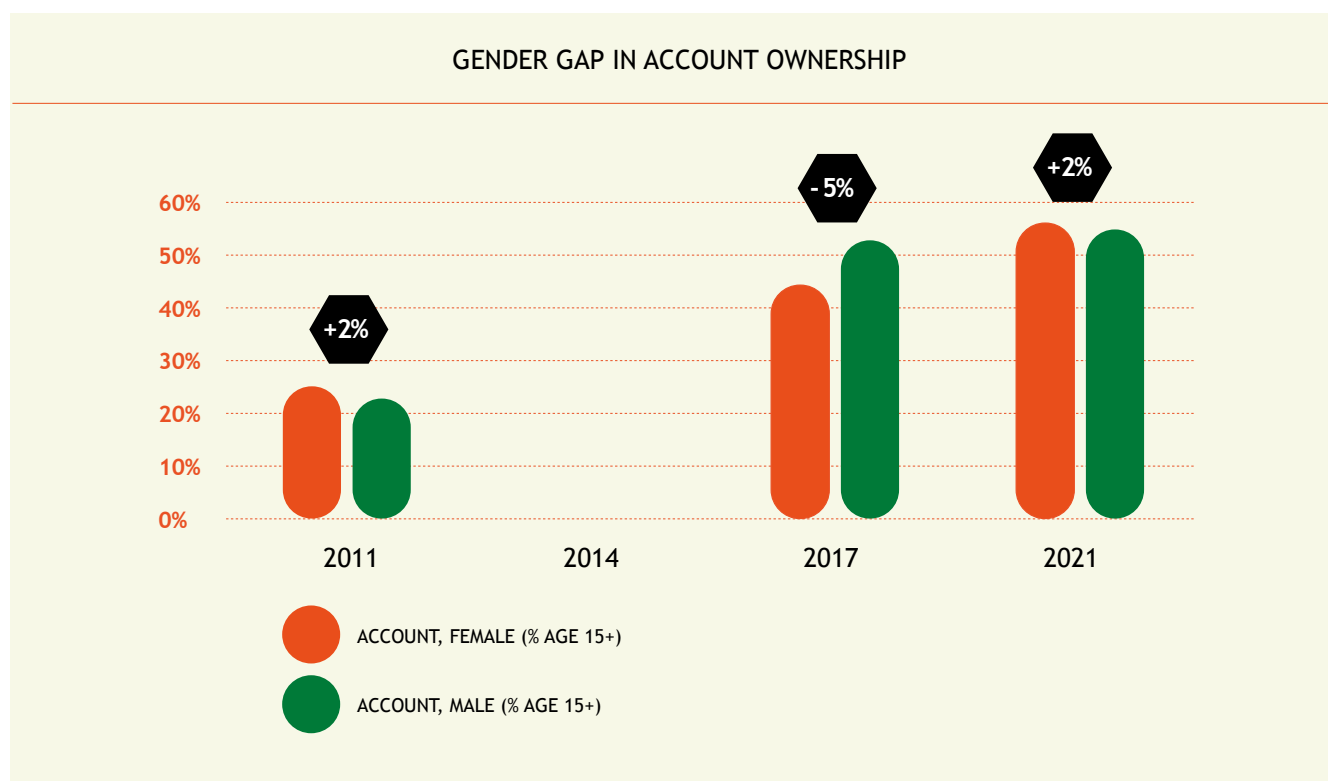
#### Population & Social Development

Population, total	7,044,636	GDP growth (annual percent)	-0.03 %
Life expectancy	74.1 years	Poverty gap at \$1.90 a day (2011 PPP) (percent)	3.5%
HDI rank	103 of 189	Social institutions and gender Index (SIGI, 2019)	-0.8%
Languages	Spanish, Guaraní	Urban population (percent of total population)	62 %

#### Economy (2020/2021)

GNI per capita (PPP)	USD 14,600 <sup>92</sup>	Tax revenue (percent of GDP)	9.5 %
Status	Upper middle	Government expenditure (percent of GDP)	25.3 %
GINI index (World Bank estimate)	43.5	Manufacturing, value added (percent of GDP)	20 %
percent SME Female owned	19 %	Ease of Doing Business Rank	125 of 190

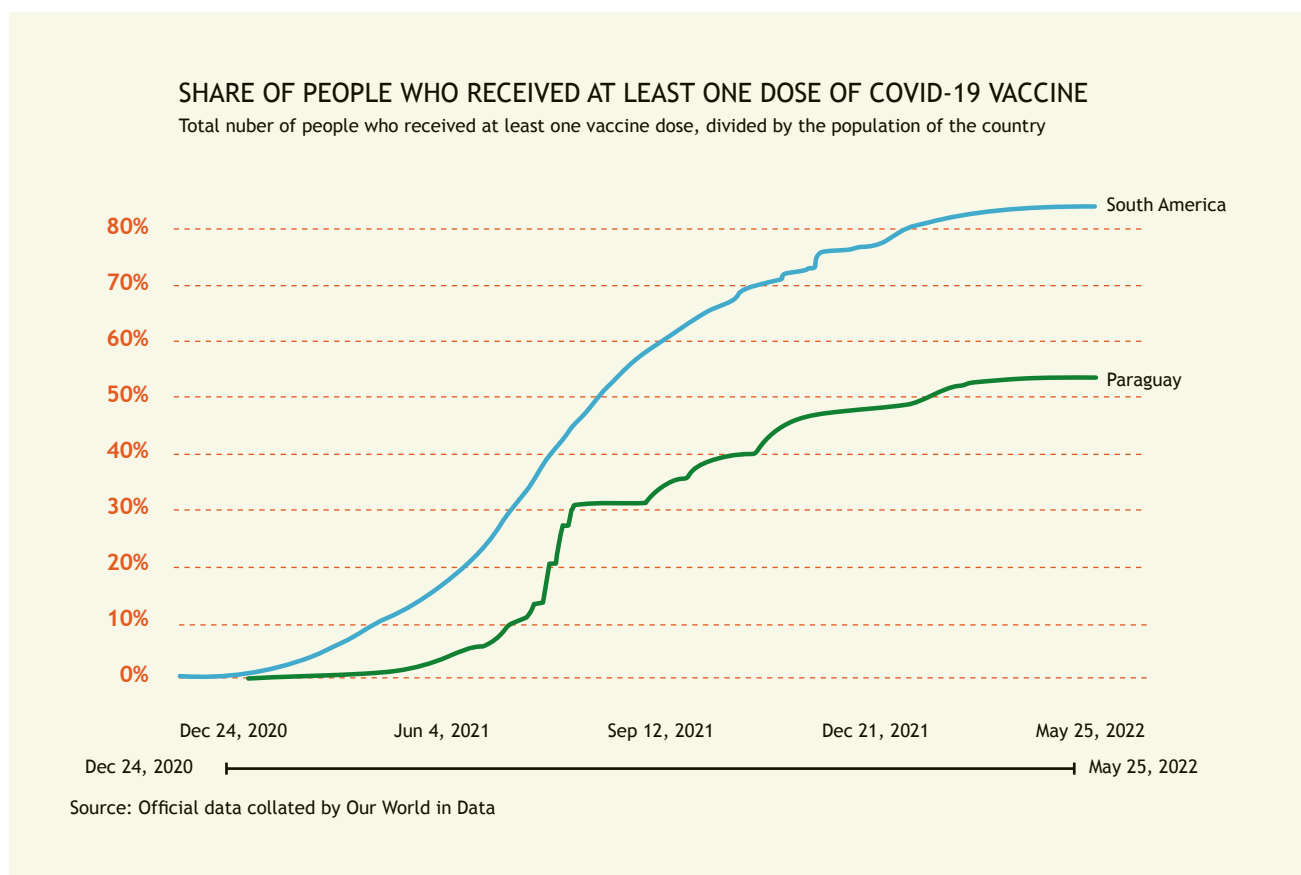
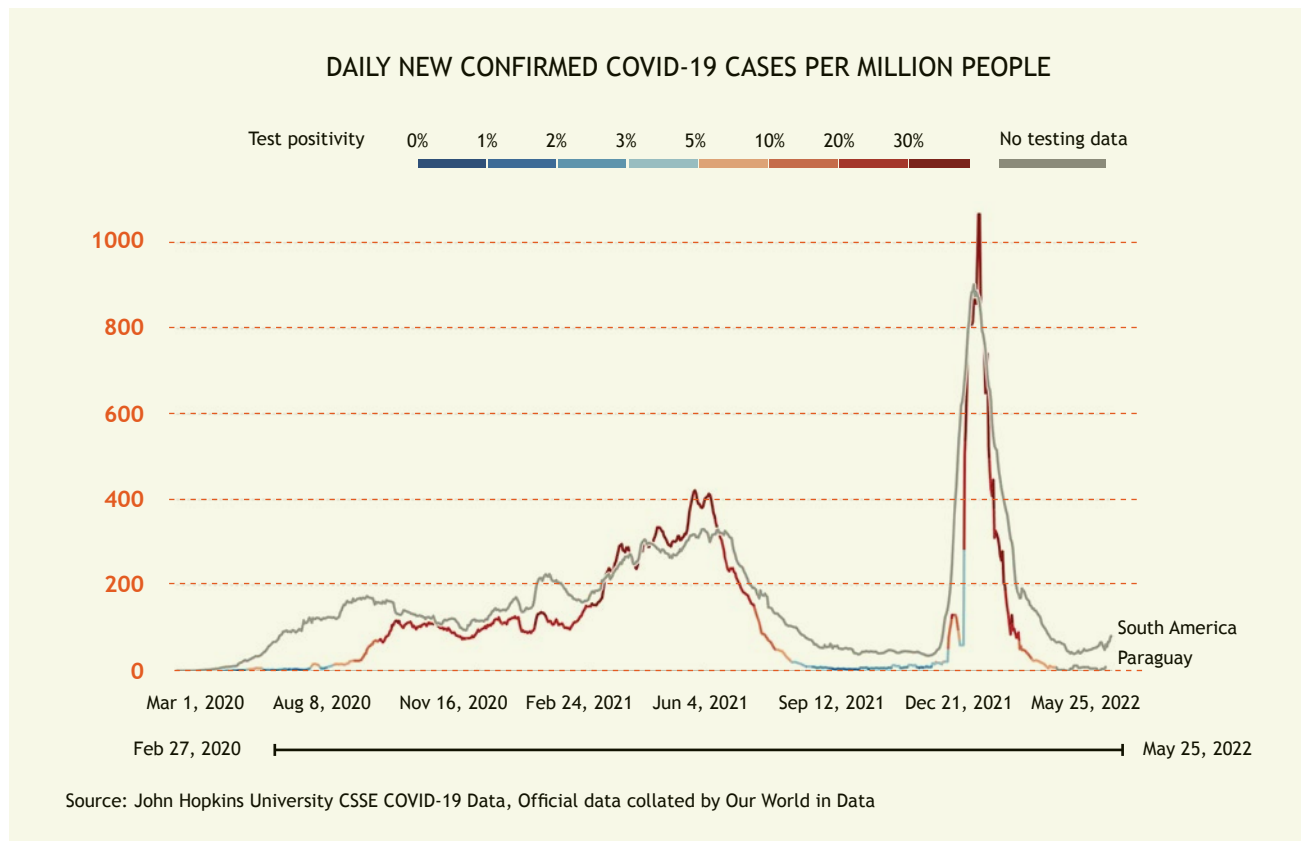
### Women and Men's Financial Inclusion in Paraguay 2011-2021



Source: World Bank, Global Index

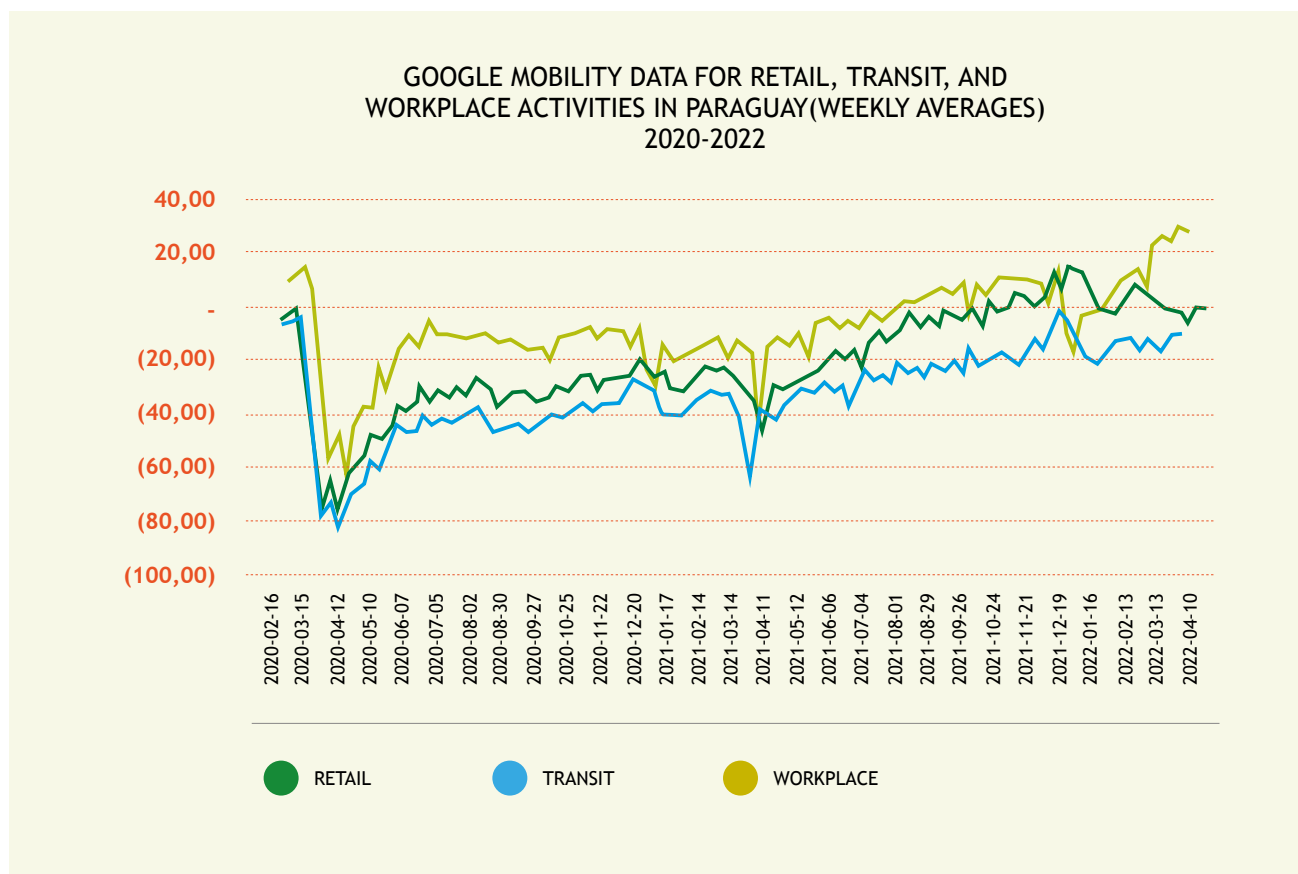
<sup>92</sup> World Bank Group. 2021. GNI per capita, PPP (current international \$) - Paraguay. Available at: <https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?locations=PY>

## COVID-19 Pandemic: Cases and Vaccinations



**COVID-19 impact**

Google mobility data shows activity changes in several public settings (e.g., shops, restaurant, workplaces, parks etc.) compared to a median baseline for the corresponding day of the week, during the five-week period of 3 January to 6 February 2020.





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