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FILAC
Financial Inclusion Initiative for Latin America and the Caribbean

DIGITAL FINANCIAL SERVICES (DFS) WORKING GROUP

SME FINANCE (SMEF) WORKING GROUP

POLICY FRAMEWORK ON DIGITAL FINANCIAL SERVICES FOR WOMEN-LED MSMES IN LATIN AMERICA AND THE CARIBBEAN

FRAMEWORK

CONTENTS

ACKNOWLEDGMENTS

This regional policy framework was developed by AFI members and endorsed by its LAC leaders as a policy guide to facilitate in-country financial inclusion policy implementation across the AFI network in LAC and beyond. Development of this regional policy framework was partially financed by Sweden and other partners.

EXECUTIVE SUMMARY

In recent years, digital financial services (DFS) have facilitated the financial inclusion of some economically marginalized sectors, but there is growing concern that gender gaps and discrimination against microenterprises, especially those led by women, persist.

This research has two objectives:

1 The first is to conduct an assessment to develop a comprehensive understanding of the structural challenges women-led micro, small and medium enterprises (WMSMEs) are facing across the Alliance for Financial Inclusion (AFI) network, in particular in the Latin American and the Caribbean (LAC) region and the potential role DFS can play in overcoming these challenges. This includes uptake of DFS among the WMSMEs while noting the risk gender neutral DFS can present to further enhance women's financial exclusion and increase the existing digital divide.

2 The second objective is to develop a gender sensitive policy framework for WMSMEs, covering the elements of a practical policy framework that provides holistic support to WMSMEs by adopting an ecosystem approach to fostering the growth of the WMSME sector within the region. This ecosystem will include the necessary elements to allow DFS to work as foundational in the policy framework.

This report is structured in three main sections with the first addressing the needs for a framework adapted to the LAC region. The second section presents an assessment of women- led MSMEs' access to financial services in LAC, capturing the results of a survey and key informant interviews (KII) among different types of organizations (AFI member regulators, women-led networks, financial service providers (FSPs), micro-finance institutions (MFIs), and subject matter experts). The final section takes a regional approach on key pillars considered to advance women-led MSMEs' access to finance through DFS with consideration to the context of the LAC region.

CURRENT SITUATION OF FINANCIAL SERVICES ACCESS BY WMSMES IN THE LAC REGION

The current situation in the LAC region regarding financial services access by WMSMEs is directly correlated to the public policymakers' responsibilities, which in some jurisdictions in the region are not clearly defined.

Usually, there is no broader strategy for inclusive gender equity development. Some gaps were identified in the skills and tools to regulate the ecosystem properly and inclusively.

As regulators play a pivotal role in creating an enabling environment for a gender inclusive ecosystem, they should have clear goals and responsibilities, with mechanisms to move forward at least as fast as the market finds new ways to improve the financial inclusion of WSMEs; encourage better availability of credit information from corporate accounting and support information sharing, including lenders and utilities; issue security laws and support security registries, improve bankruptcy regimes, strengthen the legal, regulatory and institutional infrastructure for factoring and leasing, and create an environment conducive to innovation.

On the other hand, across the region, financial inclusion policies do not actively respond to the prevalent market failures and generally do not have a gender perspective. Likewise, monopolistic, or duopolistic behavior among credit bureaus in some jurisdictions in the region is hindering the MSME financial markets potential growth. An example is charging MSMEs for their credit ratings' according to the bureaus' current commercial, regulatory, and operational situation. Although each country makes its own regulations, there is little cooperation between countries when developing policies, forcing each to learn everything for themselves.

There are unclear definitions for such terms as MSMEs, women led MSMEs, etc. making the interpretation diverse and, as such, used to the understanding and benefit of the user's convenience.

Furthermore, no financial research programs or skills development programs are linked to regulators. There is a lack of information and misconceptions about regulation, final actors, and the financial ecosystem in the MSMEs sector.

A POLICY FRAMEWORK FOR FINANCIAL SERVICES ACCESS FOR WMSMEs IN THE LAC REGION

The global macroeconomic context and the situation-specific to each country, of reduced growth and inflation, impose restrictions on private investment due to the rise in interest rates. Other regional structural problems have arisen, such as the increase in the number of people living in poverty and food security concerns. In this challenging environment, it is possible that governments, using public spending, might support MSMEs led by women as a mechanism to sustain growth, maintain employment, and help ensure food security. Sector policies should focus on supporting MSMEs led by women in various aspects such as technology transfer, education, export promotion, and access to information, among others.

LAC has progressed regarding the availability of statistical information disaggregated by sex. However, there are still elements that can be improved.

Policymakers must promote a larger data-centric culture at central banks and other related stakeholders to better inform MSME financial policy. Disaggregating data provides a more detailed understanding of the experiences of women.

Policymakers have to create standard and clear definitions of data to facilitate those data generators and readers to obtain the same understanding. Also, create financial research programs to study market trends and define what kind of information to collect, publish, and disseminate.

There is a lack of focus and understanding of the WMSME segment to develop skills through training, mentoring, and networking. Specialized training processes for MSMEs require innovation related to three major aspects: increased motivation of women entrepreneurs, the need to generate trust, and be timely in offering financial education. Mentoring also introduces WMSMEs to other entrepreneurs, building their networks and helping in accessing more businesses and finance. Access to business networks and mentoring relationships between experienced and novice entrepreneurs help define new business ideas and then put them into practice.

Promotion of the use of movable assets can facilitate access to resources by increasing available credit while helping to reduce the cost of financing for WMSMEs.

A modern collateral registry centralized and with online public access is vital to a well-functioning modern economy. Alternative credit scoring is another critical tool for MSMEs, especially WMSMEs, to build their credit profile.

Credit bureaus are already an integral part of the financial ecosystem but there is an opportunity to better integrate them because of the advantages they can provide for women- led businesses access to credit. Strengthening the regional harmonization of DFS policy can help lower family expenses while boosting national economies. Policymakers need to enable the development of banking agents, improve know-your-customer (KYC) access, and incorporate WMSMEs' financial behavior and needs (via open-banking)[1] in DFS policy. A regulatory sandbox has the potential to meet several objectives, both from a regulatory and institutional angle. Land ownership and inheritance laws need to be revised making sure they include any family member disregarding their gender, accepting the wishes of the owner through solid will writing and judicial execution.

[1] Open Banking - The use of APIs to provide open access to consumer banking information, transactions, and other financial data from banks and non-bank financial institutions to third-party financial service providers. This is done with the permission of the consumer and allows the networking of accounts and data sharing between institutions facilitating seamless transactions by and for the consumer.

INTRODUCTION

AFI's six regional initiatives[2] support policy implementation in Africa, Latin America and the Caribbean (LAC), the Pacific Islands, Eastern Europe and Central Asia, South Asia, and the Arab Region. The members of these regions collaborate both regionally and globally.

The Latin America and Caribbean (LAC) region members have a collective interest in developing the Financial Inclusion Initiative for Latin America and the Caribbean (FILAC), region-focused, adaptation of the existing AFI report published in 2021: A Policy Framework for Women-Led MSME Access to Finance,[3] a new focus on how DFS can accelerate financial access in the region, especially for women-led MSMEs (WMSMEs).

The globally focused Framework, is adapted here to be applicable to the context of the LAC region WMSMEs. This regional framework aims to guide financial regulators and policymakers from the AFI network, and beyond, in developing and implementing financial policies and regulations to promote access to finance for WMSMEs. It can be used in conjunction with the AFI global perspective framework and seeks to be the basis for future regional research.

The document contains two parts:

1. The first part analyzes the LAC region's socioeconomic, cultural, and geographic context in relation to the barriers and drivers of MSME change in the region. The report further examines some of these critical factors, their causes, and how they can be mitigated against, and the positive aspect amplified.

2. The second part describes a policy framework for the LAC region based around the six pillars from the AFI-published Framework of 2021.[4]

The research covers 13 countries in the LAC region and provides information from 23 survey responses and KIIs. It should also be the basis for further regional research to deepen understanding into these very important issues.

[2] The five initiatives are: the African Financial Inclusion Policy Initiative (AfPI); Financial Inclusion Initiative for Latin America and the Caribbean (FILAC); Pacific Islands Regional Initiative (PIRI); Eastern Europe and Central Asia Policy Initiative (ECAPI), South Asia Region Financial Inclusion Initiative (SARFII), and Financial Inclusion for the Arab Region Initiative (FIARI).

[3] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

[4] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

1. CONCEPTUAL FRAMEWORK AND METHODS

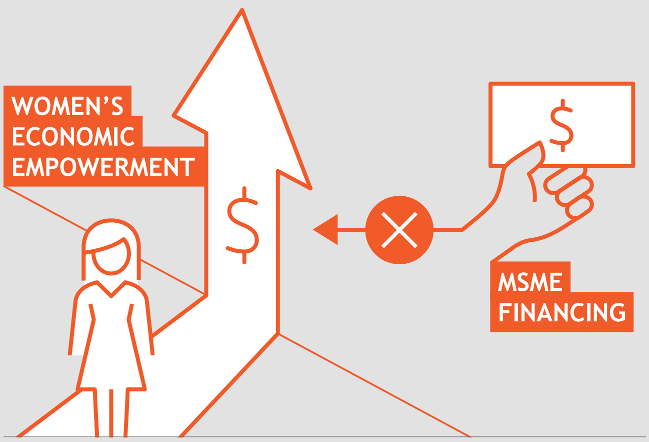
1.1 POLICY FRAMEWORK FOR WOMEN-LED MSMES (WMSMES)

The work of the AFI members on gender inclusive finance (GIF) is guided by the 10 points of the Denarau Action Plan[5] and actioned via public Maya Declaration Commitments and national level targets set by more than 40 AFI members. There is a network-wide SME Finance Working Group with more than 60 members[6] and this includes a gender focal point to help ensure gender considerations are mainstreamed across their work on WMSMEs.

While a global framework can provide an excellent overall guidance, it cannot be expected to understand the nuances of each region in the AFI network. The issues faced by WMSMEs in LAC are in many cases different to those faced by WMSMEs in Africa or Eastern Europe. Furthermore, even within the LAC region, the ways in which society views women and how they pursue their businesses and income generation, vary significantly as do key indicators such as average income and the national level of development.

Both across the globe and across the regions, WMSMEs face an unmet financing need, as shown in Figure 1.

FIGURE 1. CHALLENGES FACED BY POLICYMAKERS

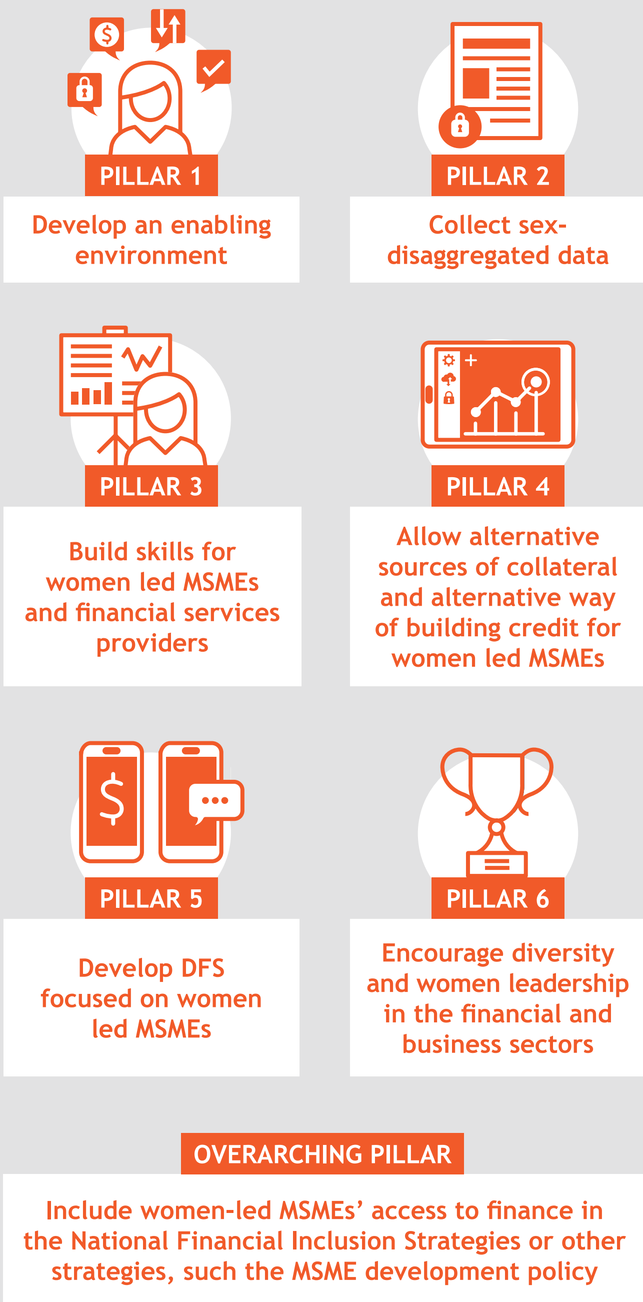


[5] Alliance for Financial Inclusion (AFI). 2022. *Denarau Action Plan on Gender Inclusive Finance Updated in September 2022*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/wp-content/uploads/2022/09/Denarau_Accord- 22_stg3.pdf

[6] Alliance for Financial Inclusion (AFI). 2022. *SME Finance Working Group (SMEFWG)*. Available at: https://www.afi- global.org/working-groups/smef

This practical policy framework for WMSMEs access to finance aims to find a way to address this gap (Figure 1). The 2021 Framework[7] report published by AFI uses a lens of six pillars (plus one additional overarching pillar) that financial regulators could adopt to facilitate access to finance by WMSMEs. The six pillars are intended to guide regulators and policymakers in developing policies and regulations to advance WMSMEs' access to finance.

FIGURE 2. SIX PILLARS OF A POLICY FRAMEWORK FOR WOMEN-LED MSME ACCESS TO FINANCE



[7] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

The global report outlines the constraints and barriers to WMSMEs' access to finance and then discusses the constraints in access to DFS for WMSMEs. It points out that while DFS has the potential to address several of the above constraints and increase WMSMEs' access to finance, these women entrepreneurs and enterprises continue to face several barriers to using DFS. Many of these barriers are indeed also present in the LAC region, although often at lower levels than in other least developed country (LDC) regions (discussed below in the policy framework). Furthermore, there are additional aspects that affect women's and WMSME's access to finance in the LAC region, such as specific Latin sociocultural norms for men and women, and persistent informality. Below is a brief description of each pillar of 2021 Framework and the base for reference while constructing the recommended Policy Framework for LAC.

TABLE 1: KEY COMPONENTS OF THE SIX PILLARS OF A POLICY FRAMEWORK FOR WOMEN-LED MSME ACCESS TO FINANCE

PILLAR	KEY COMPONENTS
PILLAR 1: **Create a conducive, enabling environment**	Under this pillar, the key components are the monetary, fiscal, industrial, sectorial, and social policies.
PILLAR 2: **Collect and analyze sex-disaggregated data**	Financial regulators and financial service providers (FSPs) often lack sufficient disaggregated data to identify who is accessing and using products and services, the quality of those products and services, and why people are seeking such services. Because of this, regulators and FSPs have limited capacity to develop and monitor the effective access to finance options for WMSMEs.
PILLAR 3: **Build skills through training, mentoring and networks**	Offer WMSMEs technical assistance, beyond just access to finance. This can include: business building, marketing skills, networking and access to business networks, and mentoring relationships. Strengthen the financial environment and the capabilities of DFS providers to serve women-owned businesses.
PILLAR 4: Allow alternative sources of collateral and promote new ways of building credit for WMSMEs	• Assets and collateral provide a point of leverage for finance. • Promote innovative approaches to credit risk assessment • Develop financial policy instruments to expand access to finance: such as guarantee funds, credit guarantees, alternative assets registry and modern/digitized collateral registries. The role of electronic collateral registries is recognized as one of the key enabling factors for accelerating • Create risk sharing facilities to incentivize financial institutions to better assess the (lower) risks of lending to WMSMEs.
PILLAR 5: **Facilitate the development of DFS for WMSMEs to shorten "distance to banks" and expand the reach of finance to WMSMEs**	This pillar emphasizes DFS and DFS policy as a way of bringing financial service access points closer to women and the places where they work and live. It includes enabling and promoting the development of agent networks with a comprehensive agenda on regulating banking agents.
PILLAR 6: **Encourage institutional diversity and female leadership**	An industry that should effectively serve women but has no women in it – including in its – leadership will miss out on many complementary perspectives. There needs to be a focus on: • increasing women's presence in leadership positions in financial institutions and developing a future pipeline of women leaders • supporting the creation of women's business associations and networks create business opportunities for WMSMEs in places

Source: Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

Ultimately, the questions for policymakers are:

1 / How do we translate women's financial needs into a policy framework suitable for LAC?

2 / Furthermore, how can a gender lens be productively applied to the MSME policy development?

1.2 COUNTRY DEFINITIONS FOR THE TERM "MSMES"

Women-led businesses are generally defined based on the percentage of ownership or management, or the level of control that women have.[8] This results in many and varied national-level definitions for what constitutes a WMSME or WSME. To make things even more complicated in LAC, many countries have more than one criterion for defining an MSME, which can vary depending on the sector and other factors. Even so, the number of employees predominates.The definitions for eight selected countries are highlighted below.

TABLE 2: COUNTRY DEFINITIONS FOR THE TERM MSMES

COUNTRY	COUNTRY PARTICULARITIES	EMPLOYEES	SALES	ASSETS	OTHER
ARGENTINA	Defined by annual sales, the definition varies depending on if the enterprise is dedicated to manufacturing, commercialization, or services.				
BOLIVIA	Has three criteria: employees, sales, and assets, whereby "employees" is the "official" definition.				
COLOMBIA	Has two criteria: employees and assets. A microenterprise has fewer employees and total assets lower than 501 minimum monthly wages. Small enterprises have between 11 and 50 employees and total assets higher than 501 and lower than 5,000 minimum monthly wages. Medium enterprises have between 51 and 200 employees and total assets between 5,001 and 30,000 minimum monthly wages. The determining factor is total assets for those with a combination of criteria.				
COSTA RICA	Has several criteria: employees, sales, assets, investment in machinery, equipment, and tooling.				
EL SALVADOR	Has two criteria: employees and sales				
GUATEMALA	Has three criteria for employees. The official version classifies enterprises according to employees with the participation of the owner.				
MEXICO	The Ministry of Economy (Secretaria de Economia) uses the number of employees and annual sales as a criterion to classify MSMEs. The definition varies depending on if the enterprise is dedicated to manufacturing, commercialization, or services.				
PERU	Does not have a single definition of an MSME. A significant factor is the number of occupied positions but there is no formal definition.				

Source: Saavedra, M. L., & Hernández, Y. 2008. *Caracterización e importancia de las MIPYMES en Latinoamérica: Un estudio comparativo*. Actualidad Contable Face, 11(17), 122-134. Available at: https://www.redalyc.org/articulo.oa?id=25711784011. Reglas de Operación del Fondo, Nacional Emprendedor para el ejercicio fiscal 2017, Secretaria de Economía de los Estados Unidos Mexicanos, DOF N° 5468221. 2017 Available at: https://www.dof.gob.mx/nota_detalle_popup.php?codigo=5468221

It is important to note that when the term WMSMEs is used, there is no regionally agreed definition of what constitutes a women-owned or women-led business and what the demarcations mark for a micro, small, or medium-sized enterprise or business. Different national jurisdictions in the region have different definitions. In the case of Haiti, the research showed that the country does not yet have a nationally agreed definition. For the purposes of this report, all of the above definitions will be grouped together under the term WMSMEs.

[8] Saavedra, M. L., & Hernández, Y. 2008. *Caracterización e importancia de las MIPYMES en Latinoamérica: Un estudio comparativo*. Actualidad Contable Face, 11(17), 122-134. Available at: https://www.redalyc.org/articulo.oa?id=25711784011

1.3 THE TERM: CREDIT CONSTRAINED

Credit constrained enterprises[9] are defined by three levels:

1. **Fully credit-constrained (FCC)** entrepreneurs have trouble acquiring credit. This may be because the company was denied a loan or because the terms and conditions were unsatisfactory. Unfavorable conditions may include excessive interest rates, convoluted application procedures, and inadequate loan size and maturity.

2. **Partially credit-constrained (PCC)** are those that have obtained some external finance but have been discouraged from seeking a loan from a financial institution or have had a loan partially granted or denied.

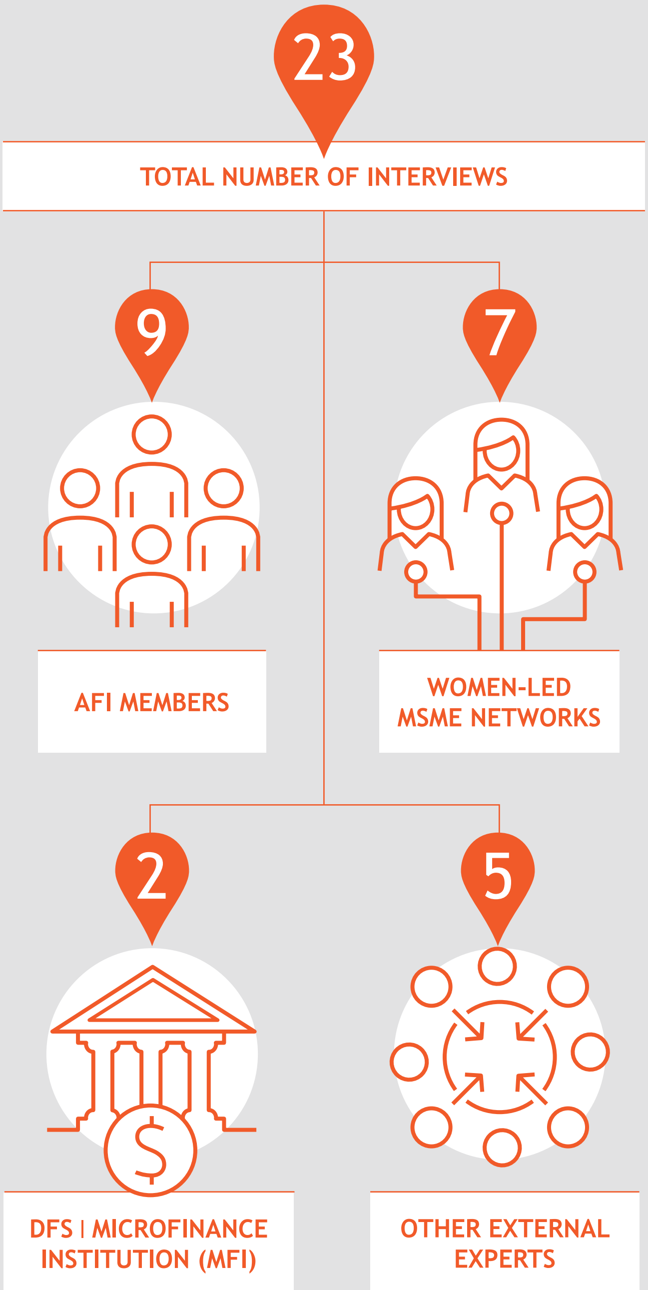
3. **Non-credit constrained (NCC)** are those that have no trouble gaining access to credit or have no need for it. This group covers enterprises that have sufficient capital from their own resources or from other sources, as well as firms that have been approved for full loans.

There are limitations to the credit constraint indicator. It does not consider any information regarding the company's creditworthiness. Therefore, some credit-restricted businesses may have valid grounds, such as insufficiently productive initiatives or a poor repayment history.

[9] International Finance Corporation (IFC). 2017. *MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets.* Washington D.C. IFC. Available at: https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC- MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA

1.4 INTERVIEWS AND SURVEY

A total of 23 KIIs were conducted between November and December 2021 covering 13 member jurisdictions and involving seven members who provided survey responses. The information collected is not statistically representative, and therefore the analysis of the collected data follows a qualitative approach.



Source: Amarante KII - 2021

Prior to the interviews, a secondary, desk-based research was conducted and was then triangulated using a combination of primary sources, such as KIIs and surveys.

2. WHY DEVELOP A LAC REGION FOCUSED POLICY FRAMEWORK FOR WOMEN-LED MSME ACCESS TO FINANCE?

In the LAC region, 45.6 percent of the firms have female participation in the ownership, 19.9 percent of the firms have a majority female ownership, and 21.4 percent of the firms have at least one female senior manager.[10]

LAC MSMEs account for 90 percent of LAC enterprises; they create more than 50 percent of jobs and represent one-fourth of the regional GDP. While these MSMEs play an important economic and social role, they are financially constrained, often because of their size, the sector they are in, or because they operate informal businesses. According to LAC Economic System (SELA)[11], an average of 30 percent of the households in the region are dependent on economic activities carried out by women and their economic participation is increasing (49 percent of the female population ages 15+).[12] This means that a significant proportion of the population in the region is facing a scenario in which their subsistence depends on a WMSME. As a result, supporting WMSMEs to grow sustainably is a crucial driver for economic stability and development in the LAC region.

2.1 BARRIERS TO WMSME ACCESS TO FINANCE IN LAC

More women than men work in the informal sector, a situation that makes women face a number of challenges when it comes to access to formal financial products and services such as insurance or formal credit. While a number of informal businesses do not wish to grow or formalize; for those that do, they are often constrained by a lack of understanding of what formal (financial) products and services are available, how different policies regulate the varied financial aspects and use cases, the relevant financial terminology, and the cost products and services cost. They thus develop a lack of trust of them. From the other perspective, FSPs frequently do not view informal WMSMEs as firms with a strong business case so they do not invest time or money in developing (financial) products and services to meet their needs. This means that women are trapped in using informal financial products and services with all the associated inconveniences such as higher costs and higher risks.

Figure 3 below shows the six main barriers for WMSMEs to access credit. These include lack of property, titles, and assets; the perception that women are less prepared to perform complex activities; lack of personalized banking products; limited business skills; lack of knowledge about banking and microfinance and other financial services and products, and challenges in balancing work and family life.

While there is a gap in the number of available MSME credit facilities, there are also many MSMEs which opt out of using credit, as many as three out of seven in the region. Many regulators do not have a full picture as to why this is the case. From the collected survey data, Figure 4 shows the identified causes of refusal to use credit by MSMEs. Six out of seven respondents (all of them regulators) mentioned inadequate business documentation due to high informality and poor credit history or no banking relationship, five out of seven cited the high collateral requirements, two out of seven mentioned the lack of adequate personal identification and improper paperwork financials on sales and turnover data, two out of seven named the lack of adequate business experience, and one in seven had a shortage of required stocks.

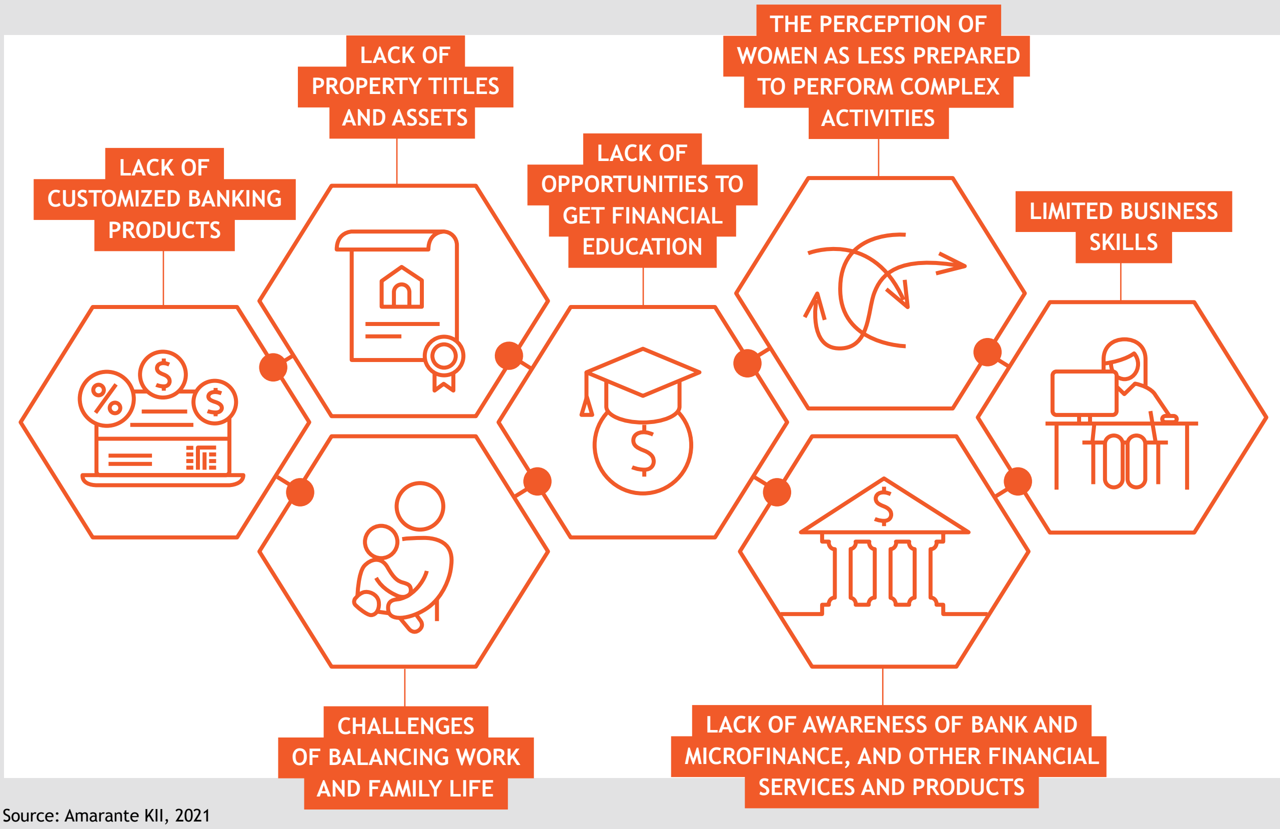
These causes of refusal to use credit by WMSMEs can organized into three groups, namely, sociocultural norms that limit women, limited incentives to move into the formal sector of the economy, and finally, a range of structural barriers related to inequality and poverty such as low education, poor access to infrastructure and services, among others. These three categories will be explored in more detail later. In addition, the lack of (sex) disaggregated data is an important factor that affects the possibility of creating strategies and policies that specifically target the needs of WMSMEs. Without data on the existing gaps, policymakers might face problems identifying the correct objectives to pursue.

[10] Data2X. No date. *World Bank Enterprise surveys: Enterprise surveys provide data on women's role in business*. Washington DC. United Nations Foundation. Available Available at: https://data2x.org/resource-center/world-bank- enterprise-surveys/

[11] Sistema Económico Latinoamericano y del Caribe (SELA). 2021. *SMEs, the economic engine in the region in post- pandemic times*. Caracas. SELA. Available at: https://www.sela.org/es/prensa/notas-de-prensa/n/76323/smes-the- economic-engine-in-the-region-in-post-pandemic-times

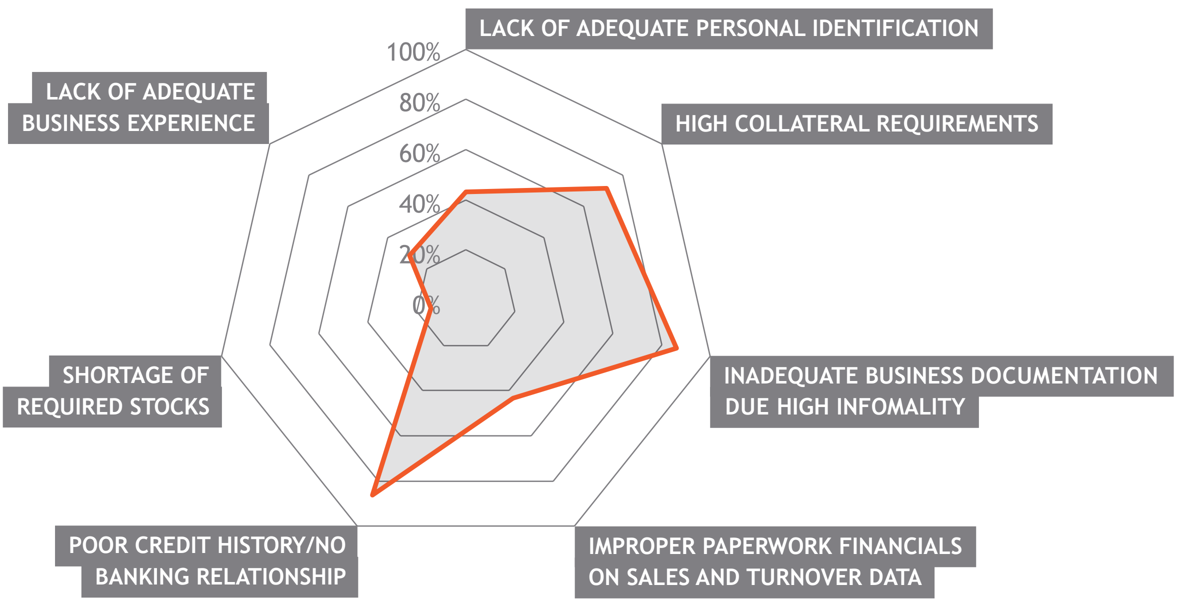
[12] International Labour Organization. 2022. *Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate). International Labor Organization, ILOSTAT database*. World Bank Group. Available at: https://data.worldbank.org/indicator/SL.TLF .CACT .FE.ZS

FIGURE 3. BARRIERS AND LIMITATIONS FOR WMSMES TO ACCESS FINANCE IN LAC



Source: Amarante KII, 2021

FIGURE 4. CAUSES OF REFUSAL TO USE CREDIT BY MSMES IN LAC REGION



Source: Amarante Survey, 2021

SOCIAL AND CULTURAL NORMS

In addition to legal restrictions on women's rights, the impact of how social and cultural norms determine how legislation is enacted matters, as they impact on a woman's ability to work, travel, marry, obtain an education, start a business, and own or inherit lands or properties, among others. As with any region, the social and cultural norms are unique and differ across the LAC region and even within individual nation states. For example, Caribbean countries have unique norms tied to their heritage and varied colonial history with the occupation by the British, Dutch, and the Spanish. Mountainous regions such as the highlands in Guatemala or the Andean region in Peru are often home to indigenous heritage practices that permeate cultural and gender norms today.

Social and cultural norms can have a powerful impact on what society considers to be acceptable behaviors or roles for men and women. How women consider their business growth and cultural expectations on the work they can do deeply affects how many women pursue entrepreneurship, especially growth-oriented activities that are traditionally associated with male-focused roles or industries. These social and cultural restrictions can be more pronounced in rural areas.[13]

Machismo[14] is a form of masculine ideology that has a strong presence in Latino communities. Men are portrayed as dominant, courageous figures with a sense of honor. They take pride in their dominant role to an extent that may not be frequently seen in other cultures. This culture has a relationship with rates of domestic violence, which an estimated 25 percent of women in LAC are victims of.[15]

Marianismo,[16] otherwise known as the cult of the Virgin Mary, has been thought to influence the female ideal in many cultures (including non-Latino cultures) where Catholicism has been dominant. Women are expected to be docile, exhibit submissiveness, deference to others, and demonstrate self-sacrificing behaviors. Self-sacrifice to children and household matters are idolized. Devotion to the home is often prioritized above all else. As such, seeking work or employment that would take them away from the home could be seen as contradictory to this sociocultural ideal.

Both machismo and marianismo play an intertwined and compounding role in women's economic empowerment, affecting women's views of their role in society and the home, and impacting their approach to business and entrepreneurship.

For WMSMEs, this can result in lower opportunities to be economically active, missed financing or growth opportunities, less business stability and resilience, and an increased unpaid domestic care burden.[17] This culture can hold women back from being economically active without them realizing it, and impacts interaction with financial institutions and society's perceptions of their businesses.

LIMITED INCENTIVES TO MOVE INTO THE FORMAL SECTOR OF THE ECONOMY

In many jurisdictions, there are few incentives to move a business into the formal sector of the economy. In some communities, there is a pride in remaining informal and "outside the system", rejecting formality and government oversight. This is strongly linked to mistrust in the banking sector, which also extends to large dominant businesses. In LAC, traditional banks have enjoyed high margins for decades and have not innovated to serve different types of consumers or MSMEs.

Registering a business to access formal financing means that it is likely to be taxed in some way. There exists a skepticism about being taxed inappropriately even as a small enterprise, without seeing benefits from being a formally registered entity.

Being able to obtain the necessary identification documents for the formality of a business is another factor. According to Level One Project,[18] women are more likely to work in the informal sector than men. It is essential to recognize the role of other levers that promote or thwart women's economic empowerment. Those include viable work opportunities, access to and control over property and assets, and platforms on which to trade.

[13] Bhatt, P and Garikipati, S. 2021. *Culture, Collectivism and Empowerment: The Role of Feminist Ideologies in Women's Work and Organization*. Working Paper in Economics # 202108. Nottingham University Business School and University of Liverpool Management School. Available at: https://www.liverpool.ac.uk/media/livacuk/schoolofmanagement/research/economics/Culture,,Collectivism,and,Empo werment.pdf

[14] Andrews, C. 2021. *The Impact of Machismo on Women. UAB Institute for Human Rights Blog*. May 2021. Birmingham. University of Alabama at Birmingham. Available at: https://sites.uab.edu/humanrights/2021/05/05/the-impact-of- machismo-on-women/

[15] WHO, on behalf of the United Nations Inter-Agency Working Group on Violence Against Women Estimation and Data (VAW-IAWGED). 2021. Violence Against Women Prevalence Estimates. 9 March. Geneva. WHO. Available at: https://www.who.int/publications/i/item/9789240022256

16 Guizar-Diaz, A. 2020. *Machismo, Marianismo, and The Ethics of Care*. Symposium Oral Presentations. 32. https://dc.ewu.edu/srcw_2020_oral_presentations/32

[17] Valenciano, M. 2014. *A Grounded Theory Approach to Exploring the Impact of Machismo on Second-Generation Latina Women's Identity Formation*. Doctorate in Social Work (DSW) Dissertations. 58. University of Pennsylvania. Available at: https://repository.upenn.edu/edissertations_sp2/58

[18] Level One Project. No date. Gender Equality. Accessed in 2022. Available at: https://www.leveloneproject.org/project_guide/l1p-education-opportunities-2/

This view, coupled with more challenging access to finance that women face (lack of assets, lower credit history), can compound the likelihood of informality and staying informal for WMSMEs.

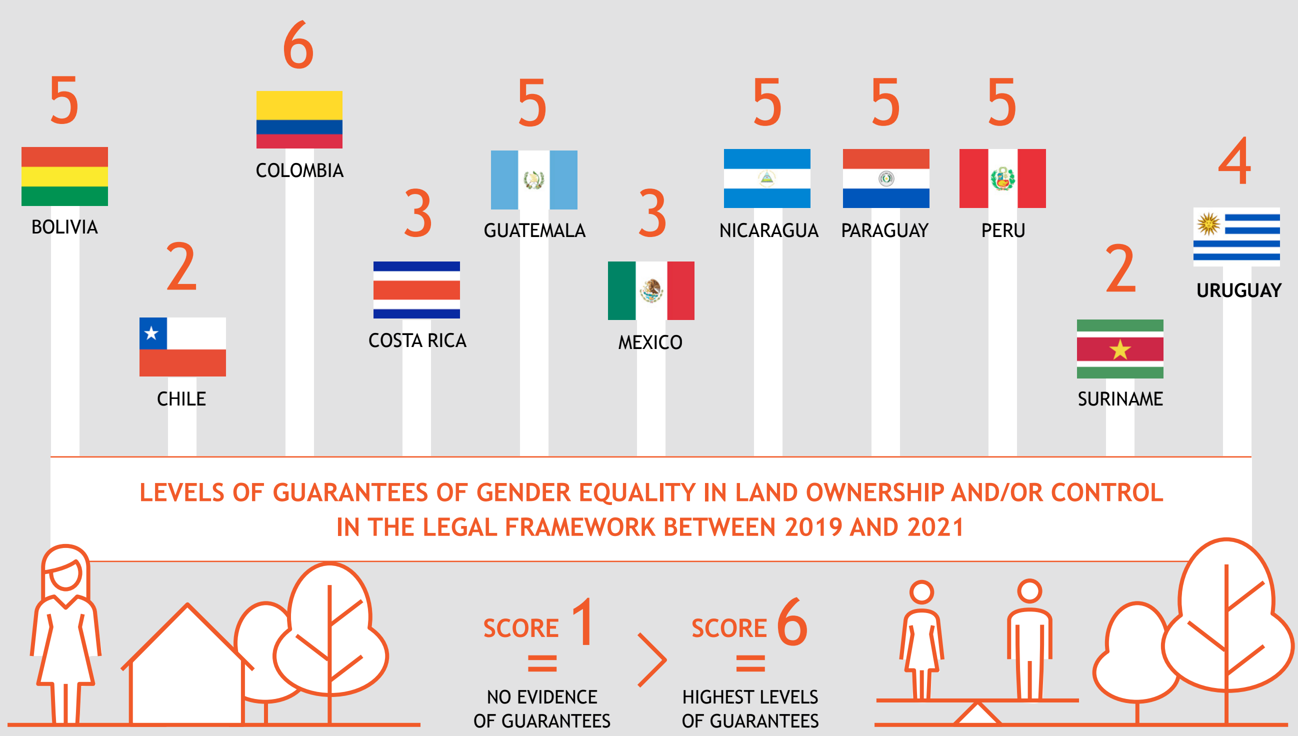
STRUCTURAL BARRIER - LEGAL BARRIERS TO WOMEN OWNING AND INHERITING PROPERTY

Figure 5 highlights the degrees to which the national legal framework and customary law guarantee women's equal rights to land ownership and control in LAC region between 2019 and 2021. All the countries have evidence of guarantees of gender equality in land ownership and control in the legal framework but at different levels. Colombia is at the highest level of guarantees of gender equality in land ownership and control in the legal framework, followed by Bolivia, Guatemala, Paraguay, Peru, and Nicaragua in the second place. These are followed by Uruguay, Costa Rica, and Mexico. Finally, Suriname and Chile have the lowest level of guarantees of gender equality in land ownership and control in the legal framework among the countries of study.

Notwithstanding these legal frameworks being in place, in practice, the societal superstructure promotes women needing to depend on men for economic support. There are strong gender dynamics around access and control over property and assets, which in turn are directly related to a woman's ability to have access to finance. A lack of property titles and fixed assets is an important reason for credit application rejections. For example, in Ecuador, although spouses have the same capacity to administer the assets, the husband prevails if FSPs do not agree with her application.[19] In Guatemala, women's work in agricultural activities is considered a part of men's income. Women – particularly indigenous women – go uncompensated.

Also, while legislation does not always support equal ownership or inheritance of assets such as property and land because of the prevailing culture, women often lack equal decision- making power within and outside the household and cannot be as economically active as they may wish.

FIGURE 5. LEGAL FRAMEWORK ON WOMEN'S EQUAL RIGHTS TO LAND OWNERSHIP OR CONTROL



Source: Food and Agriculture Organization for the United Nations. No date. Indicator 5.a.2 - *Proportion of countries where the legal framework (including customary law) guarantees women's equal rights to land ownership and/or control*. Rome. FAO. Available at: https://www.fao.org/sustainable-development-goals/indicators/5a2/en/

[19] Digital Financial Services (DFS) Working Group. 2019. *Policy Framework for Women's Financial Inclusion Using Digital Financial Services*. September 2019. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: https://www.afi-global.org/publications/policy-framework-for-womens-financial-inclusion-using-digital-financial- services/

STRUCTURAL BARRIERS - EARLY MARRIAGE, EARLY PREGNANCY, AND GENDER-BASED VIOLENCE

A high early school dropout rate among girls is usually associated with early marriage (although it applies for boys and girls, girls drop out more with an early marriage), early pregnancy, and a greater likelihood of experiencing domestic violence. All of these variables can have a detrimental impact on a woman's ability to start, operate, and expand a business, as she will be expected to complete numerous unpaid household chores, leaving her with less time to be economically productive.

In LAC, one in four girls were married for the first time or found themselves in an early union before turning 18, compared to the worldwide average of one in five.[20] Early marriages are more likely to happen in rural areas, in poor households, and in households with less access to education. They often take the form of an informal or non-matrimonial union. This rate of early marriage has remained the same for the past 25 years. Ten percent of women aged between 15 and 19 in the region are adolescent mothers, and this phenomenon is markedly more common among adolescents in the low-income group. It also leads to fewer girls in school or completing their education as they are expected to leave and then stay at home to care for their babies instead of being encouraged to return to school.[21]

STRUCTURAL BARRIER - CREDIT INFRASTRUCTURE

Table 3 shows the level of constraint for women in accessing financial services according to the experience of the surveyed regulators. The most significant barrier cited was "low levels of financial literacy and limitations in digital skills". The least constraining factor was "restrictive legal and regulatory framework imposing barriers to innovation".

TABLE 3: SEVERITY OF BARRIERS

BARRIER	LEVEL OF CONSTRAINT
Low levels of financial literacy and limitations in digital skills	HIGH
Low levels of financial education	HIGH
Access to internet	MEDIUM
Cellular network coverage	MEDIUM
Lack of initiatives to modernize payment systems	MEDIUM
The small market size and limited possibilities for economies of scale	MEDIUM
Difficulty for FinTech firms to access capital financing	MEDIUM
Lack of initiatives promoting DFS for rural areas	MEDIUM
Lack of initiatives to promoting DFS with a gender lens	MEDIUM
KYC policies with little or no relevance to the reality that WSMEs face	MEDIUM
Rural location	MEDIUM
Electric power coverage	LOW
Phone ownership	LOW
Restrictive legal and regulatory framework imposing barriers to innovation	LOW

Source: Amarante Survey of AFI Member in LAC, 2021

[20] United Nations Children's Fund. 2019. *A Profile of Child Marriage and Early Unions in Latin America and the Caribbean*. UNICEF. New York. Available at: https://www.unicef.org/lac/media/8256/file/Profile%20of%20Child%20Marriage%20in%20LAC.pdf

[21] United Nations Children's Fund. 2019. *1 in 4 young women in Latin America and the Caribbean is in union or married before age 18*. 11 October. Panama. UNICEF. Available at: https://www.unicef.org/press-releases/1-4-young-women- latin-america-and-caribbean-union-or-married-age-18

Most FSPs do not tailor products and services to effectively serve the various segments of the women's market, and most products and services are developed considering a standardized male 'norm'. As men and women have different life experiences and life events, many women cannot find products that adequately meet their needs, so they are more reluctant to use formal financial services. These supply issues are coupled with structural limitations in rural areas where the brick-and-mortar banking infrastructure is poorer and digital connectivity is worse than in urban areas, which affects access and usage of DFS and the uptake of mobile and electronic money.

The MSME Finance Gap Report indicated that although LAC has the lowest proportion of financially constrained microenterprise firms (21 percent), it has the second largest finance gap, mainly driven by Brazil.[22] Data from SELA[23] states that there are an approximate 12.9 million MSMEs distributed among 17 countries; 91.2 percent of them are micro-enterprises, 6.3 percent are small enterprises, and 1.6 percent are medium-sized enterprises. Micro- enterprises play – by far – the largest part. They are the most likely to be informal, most likely to be constrained and are the least resilient, while being an essential segment of the regional economy. Due to their characteristics, data on them remains scarce, incomplete, and fragmented, but if this data gap can be filled, there is huge potential to close the SME funding gap, support businesses in formalizing operations, and encourage sustainable growth.

2.2 DRIVERS IN LAC FOR DEVELOPING DIGITAL FINANCIAL SERVICES FOR WMSMES

There is a significant correlation between the drivers for developing DFS and the constraints for using DFS.

The majority of respondents (five out of seven) highlighted three main constraints to increasing DFS usage, namely:

1. the need to build DFS capacity (including the use of digital tools/digital platforms) for MSMEs
2. digital payment system that have yet to be implemented
3. commitment to G2P payments

[22] *International Finance Corporation (IFC). 2017. MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets.* Washington D.C. IFC. Available at: https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC- MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA

[23] Sistema Económico Latinoamericano y del Caribe (SELA). 2021. SMEs, the economic engine in the region in post- pandemic times. Caracas. SELA. Available at: https://www.sela.org/es/prensa/notas-de-prensa/n/76323/smes-the- economic-engine-in-the-region-in-post-pandemic-times

There are also three main identified factors as to why DFS have the potential to address several constraints and increase WMSMEs' access to finance. These comprise the following:[24]

1. DFS make it more feasible for providers to offer products that accommodate WMSMES, which tend to trade in smaller sums than men.
2. DFS allow WMSMEs to construct an alternate risk profile based on their transaction history. In Nigeria, for instance, the FinTech company Lidya leverages transaction histories and other alternative data sources to determine creditworthiness and disburses SME loans within 24 hours. In India, FinTech entrepreneurs utilize Fitbit- like devices to collect real-time data on the health of cows in order to anticipate productivity and assess the credit eligibility of women farmers.
3. DFS can facilitate the development of businesses. In more than 25 countries throughout the world, the UNCTAD E-regulation and E-registration System has been introduced to decrease the number of administrative procedures, time, and expenses associated with establishing a business. In El Salvador, for instance, the number of stages required to create a business was lowered from 16 to three, and the total registration procedure was shortened from eight to three days.

In the LAC region, DFS for WMSME has five drivers: A higher prevalence of ID coverage; higher-than-average income development indicators compared to developing nations and regions; higher prevalence and use of smartphones; higher literacy levels, and new DFS knowledge. These factors will be explored in more detail in this report.

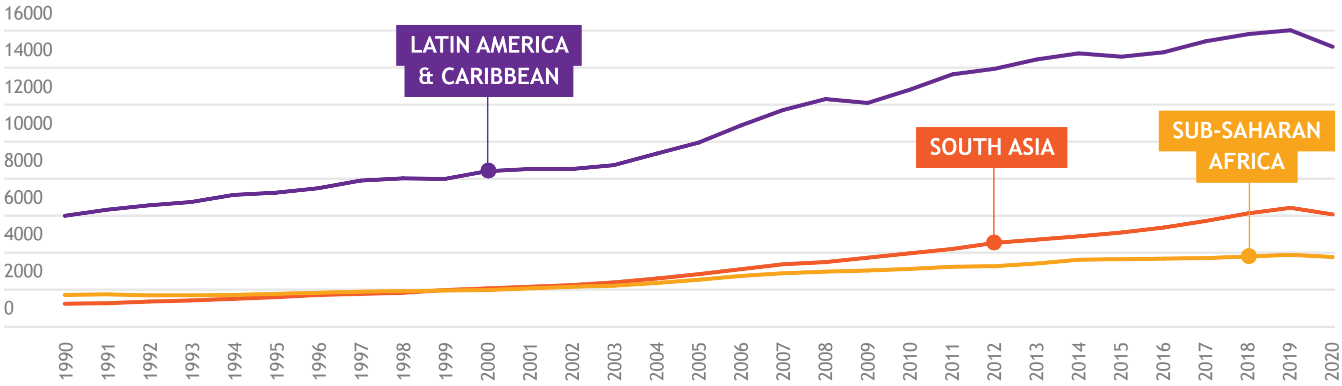
HIGHER-THAN-AVERAGE INCOME COMPARED TO DEVELOPING COUNTRIES

Figure 6 shows that the LAC region has higher incomes and purchasing power parity (PPP) compared to other low- and middle-income countries (LMIC) around the globe. Per capita, the gross national income (GNI) in LAC region is USD16,000 (2019) and has been steadily increasing since 1990, compared to about USD4,000 in Sub-Saharan Africa and about USD6,500 in South Asia.[25]

[24] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

[25] The World Bank Group. 2021. *GNI per capita, PPP (current international $) - Latin America and the Caribbean*. DataBank. Washington D.C. Available at: https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?locations=ZJ

FIGURE 6. GROSS NATIONAL INCOME PER CAPITA (USD) ACROSS LAC, SOUTH ASIA, AND SUB-SAHARAN AFRICA 1990 - 2020



Source: The World Bank Group. 2021. *GNI per capita, PPP (current international $) - Latin America and the Caribbean*. DataBank. Washington D.C. Available at: https://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD?locations=ZJ

HIGHER PREVALENCE AND USE OF SMARTPHONES

As a region, LAC has one of the highest and fastest-growing smartphone penetration rates in emerging markets. Seventy-two percent of all mobile connections in LAC are smartphones, with predictions that 64 percent of all regional internet connections will take place on mobile devices by 2025.[26] As 72 percent is the regional average, it is understood that some countries lag behind in terms of mobile penetration and thus smartphone penetration. Countries such as Cuba, Guatemala, Honduras, and Nicaragua have lower penetration rates, while others such as Uruguay, Chile, Argentina, and Panama are already over 80 percent.[27]

HIGHER LITERACY LEVELS

Across the region, completion of primary education is high, exceeding 93 percent among both girls and boys. However, the region remains largely heterogeneous with strong disparities among the countries. For example, there is a significant amount of intra-regional variability in secondary education completion rates: while 73 percent of young women aged 20-24 years have completed secondary school in Peru, only 24 percent of young women of the same age in Guatemala have done so.[28]

As already indicated, the LAC region has shown significant progress in the proportion of young people who complete their primary educational cycle. Nevertheless, the gaps in attainment grow after secondary education with only two to four percent of young people (25-29 years of age) from the poorest households completing their secondary education with the attainment gap[29] between rich and poor standing at 46 percentage points in 2019. The lower overall levels of education among lower-income segments of the population and the lower economic mobility doubly restrict the future prospects of those young people.[30]

Encouraging digital financial literacy is also important to support financial inclusion for those less able to access traditional banking services. There are emerging examples of programs already running in the region looking to build these skills. These include:

> Fundación Capital which has developed several apps targeting financial and entrepreneurial education for women, children, youth, migrants, and refugees across LAC.

> A program run by LISTA[31], the benefits of which have already reached 400,000 people. LISTA is administered by leaders from within different communities.

[26] Global System for Mobile Communications (GSMA). 2021. *The Mobile Economy Latin America 2021*. London. GSMA. Available at: https://www.gsma.com/mobileeconomy/wp-content/uploads/2021/11/GSMA_ME_LATAM_2021.pdf

[27] Kibuacha, F. 2021. *Mobile Penetration in Latin America and the Caribbean*. 3 February. Denver. GeoPoll. Available at: https://www.geopoll.com/blog/mobile-penetration-latin-america/

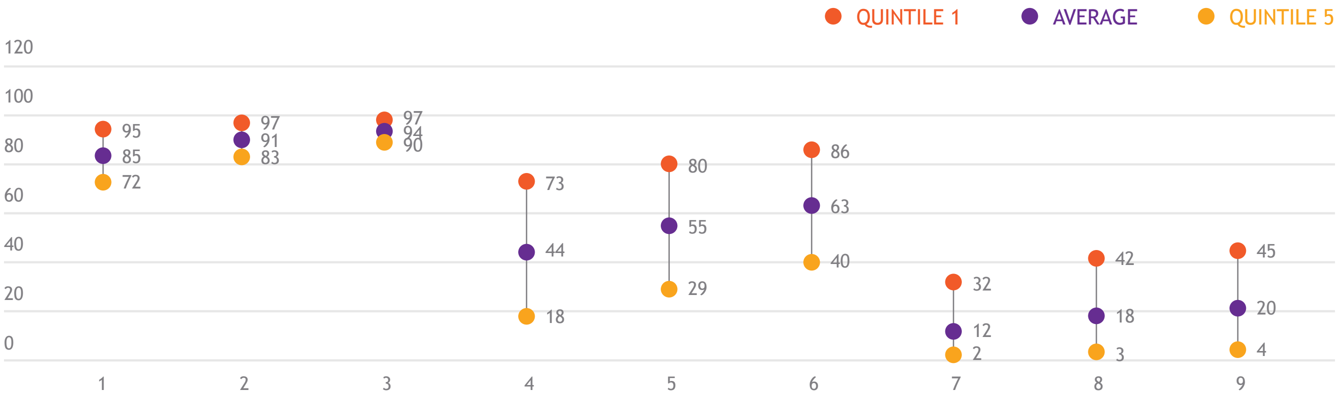
[28] Economic Commission for Latin America and the Caribbean (ECLAC). 2011. *Regional Overview: Latin America and The Caribbean*. The United Nations Inter-Agency Network on Youth Development, coordinated by the Focal Point on Youth, UNDESA. Available at: https://www.un.org/esa/socdev/documents/youth/fact-sheets/youth-regional-eclac.pdf

[29] Attainment gap or achievement gap is the notable difference in academic outcomes or educational attainment or achievement between diverse groups of students

[30] Barcena, A. 2021. *Educación en América Latina y el Caribe: la crisis prolongada como una oportunidad de reestructuración*. Primer Seminario Regional de Desarrollo Social. Secretaria Ejecutiva de la CEPAL. Available at: https://www.cepal.org/sites/default/files/events/files/version_final_presentacion_se_educacion_13-10-2021_0.pdf

[31] Meaning "Achieving Inclusion with Technology and Savings" by its acronym in Spanish,

FIGURE 7. INEQUALITIES IN EDUCATION IN LAC



Source: Barcena, A. 2021. *Educación en América Latina y el Caribe: la crisis prolongada como una oportunidad de reestructuración*. Primer Seminario Regional de Desarrollo Social. Secretaria Ejecutiva de la CEPAL. Available at: https://www.cepal.org/sites/default/files/events/files/version_final_presentacion_se_educacion_13-10-2021_0.pdf

More examples for building digital financial literacy can be found in the AFI Digital Financial Literacy Toolkit.[32]

NEW DFS KNOWLEDGE

AFI has published widely on the topic of DFS, including developing a special report on The Digital Financial Services Ecosystem in Latin America and the Caribbean,[33] a Policy Framework for Women's Financial Inclusion Using Digital Financial Services,[34] and a Policy Model on Consumer Protection for Digital Financial Services.[35] AFI members are working on a wider range of emerging DFS topics such as: market conduct; client protection; developing products and services which meet the needs of the women's market segments, and WMSME innovation.

New areas of innovation to drive WMSMEs access and usage of DFS can include:[36]

> **Developing savings-based products:** In LAC, loan-to-deposit ratios show that women are strong savers (ratio of 85 percent to men's 140 percent, indicating that a woman has fewer loans on average than what she is depositing at the bank, in comparison with an average man that has a loan to deposit ratio of 140 percent). Furthermore, offering credit products based on payment history can be tied to a practice of consistent payments.

> **Insurance to meet the needs of women:** In LAC, there is compelling evidence that women's insurance needs must be addressed to capitalize on growth. It presents an enormous opportunity for insurance companies if dark, an attractive value-add that addresses safety at night. It aligns with the finding that the business lives of WMSME owners are tightly linked with their personal lives. they can work to innovate and bring products to market with relevant distribution channels. Clever insurance designs provide the policyholder with a clear value beyond accident protection.

> **"Wrap-around" services with insurance**, which would fulfill an unmet market demand. In Colombia, some motor insurers offer services to drive the policyholder home after dark, an attractive value-add that addresses safety at night. It aligns with the finding that the business lives of WMSME owners are tightly linked with their personal lives.

[32] Digital Financial Services Working Group (DFSWG) and the Consumer Empowerment and Market Conduct Working Group (CEMCWG). 2021. *Digital Financial Literacy Toolkit*. Kuala Lumpur. AFI. Available at: https://www.afi- global.org/wp-content/uploads/2021/07/AFI_DFS_Literacy_Toolkit_V5_29July.pdf

[33] The Economist Intelligence Unit (The EIU). 2019. *The Digital Financial Services Ecosystem in Latin America and the Caribbean*. July. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: https://www.afi-global.org/wp- content/uploads/2019/07/AFI_FILAC_SP_AW_digital.pdf

[34] Digital Financial Services (DFS) Working Group. 2019. *Policy Framework for Women's Financial Inclusion Using Digital Financial Services*. September 2019. Kuala Lumpur. Alliance for Financial Inclusion (AFI). Available at: https://www.afi-global.org/sites/default/files/publications/2019-09/AFI_DFS_Women%20FI_AW_25.09.19_digital.pdf

[35] Digital Financial Services Working Group (DFSWG) and the Consumer Empowerment and Market Conduct Working Group (CEMCWG). 2020. *Policy Model on Consume Protection for Digital Financial Services*. Available at: https://www.afi-global.org/wp-content/uploads/2020/09/AFI_CEMCDFS_PM_AW4_digital.pdf

[36] Buckland, L. Cordobés, M. Oueda Cruz, S. and Murphy, L. 2019. *Report: Gender Lens Investing: How Finance Can Accelerate Gender Equality in Latin America and the Caribbean*. Washington DC. IDB Invest. Available at: https://www.idbinvest.org/en/publications/report-gender-lens-investing-how-finance-can-accelerate-gender-equality- latin-america

3. POLICY FRAMEWORK FOR WOMEN-LED MSMES' ACCESS TO FINANCE IN THE LAC REGION

With the AFI 2021 A Policy Framework for W-MSME Access to Finance[37] providing global guidance, the next section of this report will take a look at the six pillars from that framework and articulate them through a LAC lens.

PILLAR 1

CREATE A CONDUCIVE, ENABLING ENVIRONMENT

This pillar focuses on creating a conducive, enabling environment includes monetary policy; fiscal policy; trade and industrial policies; sector policies such as agriculture policy, and family and tax policies such as the social welfare system. The section below describes how the pillar applies in the LAC context.

MONETARY POLICY

Current global context projections on growth and inflation in LAC are discouraging for microentrepreneurs. During the COVID-19 pandemic, there was an expensive monetary policy to reactivate the economy and an attempt was made to increase the production of goods by increasing demand, but problems related to supply, and transportation pushed the price index up. In addition, the war in Ukraine is causing fuel and food prices to rise. In LAC, an average economic growth of less than 1.5 percent and an average inflation rate of around 8 percent is expected to be recorded for the year 2022.[38]

Inflation will force most LAC countries to have a more restrictive monetary policy. There will be increases in interest rates which will reduce private investment and affect economic growth. A two percentage point increase in the percentage of the population living below the poverty and extreme poverty lines is expected to be seen in LAC in 2022.

FISCAL POLICY

The fiscal policy effort in LAC has been focused on formalizing and incorporating MSMEs into the tax systems, as they represent an average of 80 percent of the companies, yet their contribution to the tax collection is an average of only two percent.[39]

Since the 1970s, the strategy has been to create simplified regimes for value added tax (VAT). Given the failure of these regimes, a more comprehensive solution was attempted in the 1990s, which would also contemplate income tax or inland revenue (IR) and contributions to social security (CSS), mainly pensions and health, as drivers to promote formality and social inclusion, and also strengthen the minimal control.

There are currently four predominant tax regimes in LAC, which are made up of the following:

> **The system of physical magnitudes** (quantitative limits) according to economic activity, constitutes a method of taxation that is based on the measurement of the quantity of production or sales of a business, rather than the amount of revenue generated. This approach to taxation is considered to be an alternative to traditional methods, such as value-added tax (VAT) and income tax (IT), and has been implemented as a pioneer in Latin America, specifically in Spain 1992, including the agricultural sector.

> **The specific regimes by activity and taxes**, such as in Chile, Peru, etc. which, due to their multiplicity, have made control impossible and instead, favored arbitration, generating privileges.

> **The single regime for small taxpayers** with substitution of taxes and social security resources, such as the monotax - initiated in Argentina - which was aimed at social inclusion by incorporating CSS for the first time, and limiting "fiscal dwarfism" by introducing, in addition to gross income, other parameters for its inclusion, categorization, and exclusion.

> **The fiscal incorporation regime (RIF)**, developed by Mexico, which has stood out for having as its central objective the transience and passage of small

[37] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

[38] Economic Commission for the Latin Americas and the Caribbean (ECLAC). 2022. *Repercussions in Latin America and the Caribbean of the war in Ukraine: how to face this new crisis?* 6 June. New York. United Nations. Available at: https://repositorio.cepal.org/bitstream/handle/11362/47912/S2200419_es.pdf?sequence=3&isAllowed=y

[39] Barreix, A and Gonzalez, D. Available at: https://www.ciat.org/ciatblog-tributacion-para-las-mipymes/

taxpayers to the general regime. However, it does not take into account the fiscal situation of small taxpayers who remain in that position over time and run the risk of re- registering for the regime upon expiration of the transition period.

In 2021, fiscal deficits were reduced in the region due to an increase in tax collection, which was the product of the post-pandemic economic reactivation. But in the new context of reduced growth and increased inflation, an increase in fiscal deficits is expected.[40] Fiscal and social pacts that entail budgetary reforms aimed to reduce tax evasion estimated at 6.1 percent of the region's GDP and increases in income and property taxes are required.[41]

A more active role of public spending should be expected, especially in public investment and social spending. Public investment must focus on boosting economic growth, and social spending must alleviate the negative effects of inflation on the most vulnerable population through subsidies, particularly for food and fuel.

COMMERCIAL POLICY

From the 1990s onward, trade liberalization has been the focus of trade policy. The elimination of tariffs and adherence to free trade agreements have been the guidelines of this policy.[42] Regarding trade policy oriented towards MSMEs, a study by the OECD and CAF for South American countries shows the commitment of public policy to promoting exports through training and subsidies, incorporation into electronic commerce, and compliance with quality standards.[43]

Currently, there are concerns that the food supply chain disruptions caused by the war in Ukraine will lead to food security problems in Caribbean countries. These countries are especially vulnerable to such problems because they rely on food imports. But LAC generally has a surplus in the food trade. The increase in food demand can benefit small regional agricultural producers if an adequate policy supports food production.

SECTOR POLICIES

The Economic Commission for Latin America and the Caribbean (ECLAC) says that it receives requests from governments in the region to provide advice on developing industrial policies with public-private participatory methodologies, and methodologies to support value chains. There is also a necessity to develop policy instruments in different areas such as science and technology; education; policies aimed at promoting selected industries, and skills policies.[44]

Although women are present at different points in the value chains, there are difficulties for WMSMEs to enter the chain as suppliers, due to three factors: limitations in accessing markets due to a lack of contacts and ongoing business relationships; restrictions in accessing the necessary financing, and constraints for growth-focused entrepreneurship because the informal situation limits them from having access to training and mentoring.[45] In addition to this last factor, the unpaid domestic care burden limits the time available to them to be economically productive.

FAMILY POLICY

Family policy across the region has fundamentally focused on three areas. The first of these areas is social protection policies that seek to provide public services access such as education and health through the creation of infrastructure, which has begun to introduce the gender equality agenda especially in relation to welfare regimes and the care economy. The second is to create public transfer instruments to reduce poverty and extreme poverty. The third area of family policy covers the strategies for reconciling work and family. In this regard, the main achievement is the implementation of maternity leave for 14 weeks (which currently applies to the majority of countries in the region) by recommendation of the International Labour Organization (ILO); the development of preschool care and education services, and the extension of the school day.[46]

[40] Economic Commission for the Latin Americas and the Caribbean (ECLAC). 2022. *Fiscal Panorama of Latin America and the Caribbean*. LC/PUB.2022/7-P. Santiago. United Nations. Available at: https://repositorio.cepal.org/bitstream/handle/11362/47920/1/S2200395_es.pdf

[41] Economic Commission for the Latin Americas and the Caribbean (ECLAC). 2022. Repercussions in Latin America and the Caribbean of the war in Ukraine: how to face this new crisis? 6 June. New York. United Nations. Available at: https://repositorio.cepal.org/bitstream/handle/11362/47912/S2200419_es.pdf?sequence=3&isAllowed=y

[42] Ed. Moreira, M. and Stein, E. 2019. *Trading Promises for Results What Global Integration Can Do for Latin America and the Caribbean*. IBD. Available at: https://flagships.iadb.org/en/DIA2019/trading-promises-for-results

[43] Organisation for Economic Co-operation and Development (OECD). 2019. *Latin America and the Caribbean SME Policy Index 2019*. Paris. OECD. Available at: https://www.oecd.org/latin-america/Indice-Politicas-PYME-LAC-Mensajes- Principales.pdf

[44] Pérez, R. Oddone, N. 2021. *Manual para el fortalecimiento de las cadenas de valor*. Economic Commission for the Latin Americas and the Caribbean (ECLAC). Available at: https://repositorio.cepal.org/bitstream/handle/11362/40662/S1601085_es.pdf?se

[45] Berdeja, I. 2020. *How Can More Women Business Owners Be Incorporated in Value Chains?* 14 August. IDB Invest. Available at: https://idbinvest.org/en/blog/gender/how-can-more-women-business-owners-be-incorporated-value- chains

[46] Rossel, C. 2013. *Policies for families in Latin America and the Caribbean: Overview of policies for poverty reduction and work-family reconciliation*. New York. United Nations. Available at: https://www.un.org/esa/socdev/family/docs/FAMILYPOLICIESINLATINAMERICA.pdf

PILLAR 1 | RECOMMENDATIONS

The adverse macroeconomic environment headwinds that members in the region are facing can, in the short-term, deepen structural inequalities, especially for women, as members of the most vulnerable and least resilient group. There is a risk of poverty and to some extent extreme poverty, especially for women, across the region and measures need to be taken with short-, medium-, and long-term view.

In the short term, contractionary monetary policy is inevitable in the current context where inflation is increasing in the region; raising interest rates to reduce the demand for money, is probably the measure most likely to be taken, as is the case with the Mexican Central Bank which decided to increase its interest rate by 75 points during the second quarter of 2022.[47] As has been mentioned, it will cause private investment to drop, which in turn will impact growth.

Fiscal policy can be used to take a more active role through increasing public investments and transfers.[48] Two fundamental elements must be supported to sustain employment and guarantee food security. In both cases, WMSMEs can play a significant role as sources of employment and food producers in rural areas. Transfers to these companies, directly or indirectly through subsidies for inputs such as fertilizers can, in a specific period, help maintain economic growth during this crisis.[49]

On the tax revenue side, governments will make efforts to achieve more efficient collection by reducing tax evasion, maintain special tax regimes for MSMEs as recommended by the ILO,[50] and continue to provide additional support to SMEs with the attempt to formalize companies so that within certain periods and with specific conditions, they can enter general regimes.

In order to achieve the objectives of supporting the development and formalization of small taxpayers through a simplification that reduces the costs of compliance and control, the following recommendations emerge:

- encourage formality and social inclusion
- promote technological development
- simplify voluntary compliance and reduce its associated costs
- promote a series of non-tax incentives linked to their development

Considering these points, the following recommendation can be made: define a simplified regime, consisting of a combination of the monotax type system as a matrix, complemented by a transition process to the general regime based on the experience of the Fiscal Incorporation Regime (RIF).

In relation to trade policy, it is vital to maintain or create export promotion programs for WMSMEs. These programs must simplify the processes of registering and exporting but also develop administrative and quality production capacities that meet the standards required for different products in the international market, such as traceability and food safety.

With regard to family policy, some issues need to be studied in greater depth: these include paternity leave, flexible working hours for women, and social protection networks. Similarly, it is necessary to deepen the care economy, provide extended care for minors in pre-school and kindergarten, and explore the option of having extended school hours.[51]

Since financial regulators have a key role to play in creating an enabling environment for the ecosystem, especially for gender inclusive Fintech that will help enable WMSMEs, they need to have clear objectives and roadmaps for what they want to achieve.

Regulators in LAC need to set up a mechanism, such as a sandbox or other test and learn environments that will enable policy and regulation to advance at least as fast as the market finds new ways to improve. They can also build their institutional capacity to be able to evaluate developing policy and regulation through a number of regional offices designed to keep watch on trends, while evaluating any situation through different lenses; for example, gender, MSMEs, and youth.

[47] BNamericas. 2022. *Banco de México sube tasa 75 puntos base a 8.50%*. 11 August. BNamericas.com. Available at https://www.bnamericas.com/es/noticias/banco-de-mexico-sube-tasa-75-puntos-base-a-850

[48] Pérez, R. Oddone, N. 2021. *Manual para el fortalecimiento de las cadenas de valor*. Economic Commission for the Latin Americas and the Caribbean (ECLAC). Available at: https://repositorio.cepal.org/bitstream/handle/11362/40662/S1601085_es.pdf?se

[49] Economic Commission for the Latin Americas and the Caribbean (ECLAC). 2022. *Repercusiones en América Latina y el Caribe de la guerra en Ucrania: ¿cómo enfrentar esta nueva crisis?* 6 June. New York. United Nations. Available at: https://repositorio.cepal.org/bitstream/handle/11362/47912/S2200419_es.pdf?sequence=3&isAllowed=y

[50] Marchese, M. 2021. *Regímenes Tributarios Especiales para la MIPYME*. International Labour Organisation (ILO). Available at: https://www.ilo.org/legacy/spanish/intserv/working-papers/wp033/index.html

[51] Pérez, R. Oddone, N. 2021. *Manual para el fortalecimiento de las cadenas de valor*. Economic Commission for the Latin Americas and the Caribbean (ECLAC). Available at: https://repositorio.cepal.org/bitstream/handle/11362/40662/S1601085_es.pdf?se

PILLAR 2

COMPILE AND ANALYZE SEX-DISAGGREGATED DATA

The lack of sex-disaggregated information related to the MSME sector is a common and central problem affecting the development of policies and strategies to promote and strengthen women's businesses. Without sex-disaggregated data, the private sector, the government, and the central bank are more limited in how targeted their interventions can be and what impact they can achieve.

FSPs cannot develop an accurate picture of the various segments of the WMSME market and therefore, cannot build a business case to serve those market segments effectively. If current practices are not stopped, changed, or made gender sensitive, then without the data, suitable products and services for women cannot be developed. If the lack of date persists, FSPs also cannot monitor and evaluate how effective their interventions have been. Similarly, regulators and policymakers will not be able to judge and analyze the impact of new regulations or policy reforms on women's access to finance.[52]

The Observatory for Gender Equality in LAC was created by the ECLAC due to the recognition, in the region of the importance of collecting and analyzing gender indicators and measuring the progress of women's participation in different spheres.

When it comes to activities to support increasing women's financial inclusion, AFI encourages its members to be guided by the 10 points of the Denarau Action Plan[53], including Point 6, which is to collect and analyze sex-disaggregated data. The national statistic strategies in LAC countries use around 93 gender-relevant indicators, but only 20 percent have a relationship with economic opportunities.[54]

Best practice data sets are now available on a global scale and are the work of the Global Partnership for Financial Inclusion (GPFI) supported by the G20; the Global Financial Inclusion (Global Findex) Database, funded by the Bill & Melinda Gates Foundation in partnership with Gallup; the IMF Financial Access Survey;[55] the AFI Core Set of Financial Inclusion indicators[56] that is composed of 51 total indicators, of which nine are sex-disaggregated ones, and, more recently, by the AFI Policy Framework on MSME Data Collection[57].

Many central banks take active part in the GPFI, which is carrying forward the Financial Inclusion Action Plan (FIAP); this strategy was first endorsed at the Seoul G20 Summit in 2010.[58] As a result, many central banks have an active role in AFI, the OECD International Network on Financial Education (OECD/INFE), and provide input into the IMF Financial Access Survey, the World Bank Global Findex Initiative, the World Bank Enterprise Surveys,[59] the SME Forum, and Data2x Women's Financial Inclusion Data Partnership (WFID). Also, to be mentioned are the Financial Alliance for Women (FAW), the IDB and IDB Invest, and the Organisation for Economic Co-operation and Development (OECD), which all play a key role in advocating, generating and using sex-disaggregated data.

Specifically for the LAC region, research and KIIs identified that while individual public institutions have recognized the importance of how sex-disaggregated data can help inform policy, no real action has been taken to generate this ecosystem. Going forward, this presents AFI members in the region with a big opportunity to fill this gap.

Also, there are difficulties in collecting data on WMSMEs because women tend to run smaller businesses and are less likely to have a larger or solid digital data footprint. Without timely and accurate data, it is onerous for FSPs and regulators to fully understand the constraints that WMSMEs face, and the policy and regulatory gaps that need to be filled. There is no clear and focused strategy for financing women-focused efforts. However, there are temporary projects and a few institutions in LAC which have a strong focus on

[52] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

[53] Alliance for Financial Inclusion (AFI). 2016. *Denarau Action Plan: The AFI Network Commitment to Gender and Women's Financial Inclusion*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/wp- content/uploads/publications/2016-09/Denarau%20Action%20Plan.pdf

[54] Economic Commission for the Latin Americas and the Caribbean (ECLAC). 2020. *Bridging the Gap: Mapping Gender Data Availability in Latin America and the Caribbean*. Key findings and recommendations. Available at: https://oig.cepal.org/en/documents/bridging-gap-mapping-gender-data-availability-latin-america-and-caribbean-key- findings-and

[55] International Monetary Fund (IMF). No date. *IMF Financial Access Survey 2021*. Washington DC. IMF. Available at: https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C

[56] Alliance for Financial Inclusion (AFI). 2019. *AFI Core Set of Financial Inclusion Indicators*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/sites/default/files/publications/2019- 12/AFI_PM_Core%20Set_FINAL_digital.pdf

[57] Alliance for Financial Inclusion (AFI). 2021. *Policy Framework on MSME Data Collection: A Guide for Gender Inclusive Finance*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/publications/policy-framework-on-msme-data- collection-a-guide-for-gender-inclusive-finance/

[58] G20. 2010. *The G20 Seoul Summit Leaders' Declaration*. November 2010. Available at: https://www.fsb.org/wp- content/uploads/g20_leaders_declaration_seoul_summit_2010.pdf

[59] World Bank Group. No date. *Enterprise Surveys: What Businesses Experience*. Washington DC. World Bank. Available at: https://www.enterprisesurveys.org/en/enterprisesurveys

WMSMEs. Examples are Pro Mujer in Guatemala, Mexico and Argentina,[60] and Banco de la Mujer in Colombia.

Ecuador has been identified throughout this study as having one of the most disaggregated and well-developed data collection and analysis systems in the region. Even so, the country still lacks a way to identify WMSMEs using real time data. This impacts their ability to monitor the sector effectively and develop data-driven policy and regulatory reforms.

Several of the interviewees said that the availability of appropriate sex-disaggregated data is a crucial factor if the region is to develop a larger data-centric culture in central banks and more data-centric financial policy development. In terms of the LAC region's needs, one insight is to broaden Pillar 2.

[60] Conde, E. 2022. *Pro Mujer invertirá más de 1 mdd en emprendedoras*. 5 May. Guatemala. Win.gt. Available at: https://win.gt/economia/pro-mujer-invertira-mas-de-1-millon-en-micro-creditos/

PILLAR 2 **RECOMMENDATIONS**

Policymakers need to promote a larger data-centric culture in central banks for developing gender sensitive financial policies. This involves promotion of national statistical offices, international and national data custodian agencies, especially focusing on MSMEs and MSME finance; proper capacity building and setup of technical experts who support statistical development; working together to strengthen the quality of existing gender data and prioritizing new policy and products, and reporting to close financial inclusion gaps. If there is a national coordinating body for financial inclusion, perhaps as part of the national financial inclusion strategy governance structure, then it can establish a working group on data.[61]

Disaggregating data provides more detailed understanding of the experiences of women and girls and other vulnerable groups such as youth. The benefits of addressing disaggregated data would provide critical insights in other areas as well. Each country should prioritize the disaggregation of data that is the most appropriate for their own national context and that can be used to inform policy development. Effective data collection goes beyond collecting sex and age-disaggregated data. It is part of building a larger data-centric policy culture, related to WMSMEs gaining access to finance. It will involve developing capacities within or adjacent to the financial regulator and developing approaches to use data for policy design.

Create common and clear definitions of data so that generators and readers of data can obtain the same understanding. All updates of existing regulation and all new gender equality national plans and policies should have specific (gender as well as other vulnerable groups) targets tied to measurable indicators. This also pertains to vulnerable groups other than gender-based ones. In particular, clear national definitions of MSMEs and women-owned MSMEs and women-led MSMEs to use as part of demographic indicators to link them with MSME financial inclusion indicators[62], as well as the socialization of clear gender-sensitive concepts through dictionaries[63] are two key examples. Providing easy access to this data through data portals would increase public awareness and provide important and transparent evidence of the national landscape. Work can then be undertaken to create standard definitions for micro, small, and medium enterprises. Creating standard definitions across a regional or sub-regional level will take time. A starting point can be creating definitions at the national level as the financial regulator is ideally placed to convene national-level stakeholders to collaborate and take the initiative forward.

Financial research programs study market trends across LAC and define what kind of information to collect, publish, and disseminate. In addition, the databases at the national level could be improved by including data published in international databases and vice versa. This study identified opportunities for financial policymakers and regulators to play a more active role in data collection, data analysis and research on access to finance and gender in this realm and make that research and data publicly available.

[61] Alliance for Financial Inclusion (AFI). 2021. *Data Collection Processes and Defining Micro, Small and Medium Enterprises the SME Observatory in Morocco Case Study*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/publications/morocco-data-collection-process-and-msme-definition

[62] Alliance for Financial Inclusion (AFI). 2021. *Policy Framework on MSME Data Collection: A Guide for Gender Inclusive Finance*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/publications/policy-framework-on-msme-data-collection-a-guide-for-gender-inclusive-finance/

[63] Alliance for Financial Inclusion (AFI). 2022. *AFI Words Matter: AFI's Financial Inclusion Dictionary*. November. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/publications/words-matter-afis-financial-inclusion-dictionary/

PILLAR 3

BUILD SKILLS THROUGH TRAINING, MENTORING AND NETWORKS

LACK OF FOCUS ON AND UNDERSTANDING OF WOMEN'S MARKET SEGMENTS

Financial sector efforts targeted at supporting women's access to financial services are very few and scattered. In almost all jurisdictions there is no explicit focus or understanding of the different aspects of the women's market, leading to poor efforts in creating national strategies that would improve women's access and usage of formal financial services and help close the WMSME access to finance gap. In many governments, there is the generation and promotion of projects, some in partnership with the private sector; however, there is often no clear agenda for women's financial inclusion or the support and development of sustainable WMSMEs.

Including a gender perspective when creating MSMEs' policies, products, and services will be the first explicit gender-focused provision or practice.

While much of the existing financial policy and regulation is gender neutral - which in practice means it is gender blind and does not take the needs and requirements of women into account but instead uses male norms which reinforce structural inequalities that women face in society - there are organizations in LAC, such as ProDesarrollo in Mexico, promoting the empowerment of women's leadership in the decision-making process as one of the critical elements to generate actions with a gender perspective. It must be noted, however, that resolving gender imbalances is not a women's matter that is solely their responsibility to solve. Both men and women must drive progress forward and given that men are gatekeepers and holders of power in many situations, they also have great responsibility.

WOMEN-LED MSMES NEED TECHNICAL ASSISTANCE BEYOND BUT LINKED TO FINANCE

In most circumstances, women are already adept budget and project managers because of their unpaid domestic care roles of managing household budgets and allowances, elder care provision, raising children, and often working long hours.

There is significant opportunity to support women in developing more sustainable, profitable, and even growth-focused businesses, through the provision of wider business support, especially in the LAC region where women may face social and cultural restrictions as business is seen as the domain of men.

Many women lack financial capacity and higher order business skills which in turn impacts their opportunities to access finance. Training content and methods also benefit from being differentiated for women entrepreneurs and delivering training in places and at times when women are available also boosts the opportunities for them to engage. Also, women-only skills programs are frequently more effective because women's interactions with men outside of their direct family are often not culturally or socially acceptable.

It is essential not to overlook the element of personal choice, since women often have different motivations and intentions in entrepreneurship compared to men: many leading- MSMEs in LAC find great value in sustainable informality as this affords them the opportunity for individual design and flexible hours, among other factors. A smaller company is also more manageable, and women tend to see their business as an income generator and not a growing enterprise.[64]

[64] Sanchez-Riofrio, A.M., Lupton, N.C., Camino-Mogro, S. and Acosta-Ávila, Á. 2021. *Gender-based characteristics of micro, small and medium-sized enterprises in an emerging country: is this a man's world?* Journal of Entrepreneurship in Emerging Economies. Vol. ahead-of-print No. ahead-of-print. Emerald Publishing. Available at: https://doi.org/10.1108/JEEE-07-2021-0273

PILLAR 3 | RECOMMENDATIONS

Linking financial products with financial education, mentoring, and networking are all highly appreciated by WMSMEs and have good results in terms of business management.

TRAINING

Specialized training programs for WMSMEs require innovation related to three major aspects: a focus on the motivations of women entrepreneurs, the need to generate trust, and timeliness in offering financial education. Training should cover a wider range of topics. Examples could include addressing the common mistrust of women in banks and possible discrimination, especially for minority groups, that they face when trying to access and use financial products and services. Using platforms such as CreceMujerEmprendedora[65] from Banco Estado in Chile, which offers profiles of women entrepreneurs, training resources, relevant articles, and business events can provide significant benefit to newer and smaller enterprises. Offering financial education when women are acquiring a financial product, so that they can apply this knowledge to efficient management of their businesses, will lower their risk profile as entrepreneurs and promote the demand for credit.

MENTORING

Experienced businesspeople or community leaders can act as highly effective mentors to WMSMEs. Financial institutions can also offer formal mentoring programs and informal peer mentoring can also be highly effective. FSPs should aim to build lasting relationships with women entrepreneurs from when they first open their accounts and throughout the lifetime of their business; these relationships should be based on trust and empathy and provide women with time and personalized information.

NETWORKING

Mentoring also introduces WMSMEs to a wider group of other entrepreneurs, helps build their networks, expand personal and professional contacts, and raise awareness of opportunities for accessing finance. AFI shows that access to business networks and mentoring relationships between experienced and novice entrepreneurs help define their ideas and put them into practice. Also useful is the creation of alliances with FinTechs to become familiar with KPIs and offer simple solutions to manage businesses. Increasing the number of initiatives such as ContaAzul[66], a Brazilian FinTech that offers a platform that connects the accounting and documentation of small businesses to FSPs and regulators, can also be of great assistance.

[65] Mayher, C.L., Azar, K., Andrade, S.G. 2022. *Mejores prácticas para el financiamiento de mipyme de mujeres en América Latina y el Caribe: recomendaciones para bancos nacionales de desarrollo*. Banco Interamericano de Desarrollo (IDB). Available at: https://publications.iadb.org/publications/spanish/document/Mejores-practicas-para-el-financiamiento-de-mipymes-de-mujeres-en-America-Latina-y-el-Caribe.pdf

[66] Mayher, C.L., Azar, K., Andrade, S.G. 2022. *Mejores prácticas para el financiamiento de mipyme de mujeres en América Latina y el Caribe: recomendaciones para bancos nacionales de desarrollo*. Banco Interamericano de Desarrollo (IDB). Available at: https://publications.iadb.org/publications/spanish/document/Mejores-practicas-para-el-financiamiento-de-mipymes-de-mujeres-en-America-Latina-y-el-Caribe.pdf

PILLAR 4

ALLOW ALTERNATIVE SOURCES OF COLLATERAL AND PROMOTE NEW WAYS OF BUILDING CREDIT FOR WMSMES

ACCESS TO COLLATERAL IS VERY STRONGLY LINKED TO ACCESS TO FINANCE IN LAC

The latest World Bank Enterprise Survey (2021)[67] showed that an average of 62.3 percent of loans requested by enterprises in the region required the use of collateral. Although this percentage is lower than in other developing regions such as the Middle East and North Africa (MENA) and Sub-Saharan Africa, where the proportion is 79.5 and 84.8 percent respectively, the value of collateral required is slightly higher in the case of LAC, where an average of 201.7 percent of the value of the loan is required as collateral. The situation varies according to the country. Table 5 shows the disaggregated values for the region.

Commercial banks typically require substantial collateral in order to extend loans for four key reasons.[68] Firstly, secondary markets for liquidated assets are poor or nonexistent, adding to the necessity for the region to implement contemporary secured transaction systems. Secondly, in several Caribbean nations (for example, in Barbados and Grenada), banks are not permitted to auction off collateralized property at prices lower than the minimum levels established by law limiting collateral liquidation. Thirdly, the central bank's prudential standards require banks to appropriately cover their loans with collateral. Finally, proper financial intermediation is often lacking.

According to the World Bank's Enterprise Survey[69], 78 percent of the assets of the average SME will be composed of movable property and only 22 percent of real estate assets. Women are particularly disadvantaged since they own less real estate property than men.

[67] World Bank Group. No date. *Enterprise Surveys: Finance*. Washington DC. World Bank Group. Available at: https://www.enterprisesurveys.org/en/data/exploretopics/finance

[68] Santini, M. 2021. *Reforming Credit Infrastructure in the Caribbean Region: Assessment of credit reporting and secured transactions systems in 15 CARIFORUM countries*. Investment Climate Reform Facility report series. July 2021. Brussels. ICR Facility. Available at: https://www.icr-facility.eu/reforming-credit-infrastructure-in-the-caribbean-region

[69] World Bank Group. No Date. *Enterprise Surveys Indicators Data - World Bank Group*. Washington DC. World Bank. Available at: https://www.enterprisesurveys.org/en/enterprisesurveys

TABLE 5: COLLATERAL REQUIREMENTS IN LAC

COUNTRY	PROPORTION OF LOANS REQUIRING COLLATERAL (%)	VALUE OF COLLATERAL NEEDED FOR A LOAN (% of the loan amount)
ANTIGUA AND BARBUDA	91.7	176.7
ARGENTINA	47.8	219.4
BAHAMAS	81.3	231.6
BARBADOS	50.9	138.1
BELIZE	97.5	182.4
BOLIVIA	95.8	206.7
BRAZIL	23.3	95.1
CHILE	51.1	209.5
COLOMBIA	50.5	165.4
COSTA RICA	93.3	251.4
DOMINICA	88.2	194.1
DOMINICAN REPUBLIC	47.1	173.8
ECUADOR	58.1	204.1
EL SALVADOR	75.7	205.1
GRENADA	66.6	220.1
GUATEMALA	66.6	190.1
HONDURAS	72.8	223.2
JAMAICA	97.1	204.3
MEXICO	67	208.9
NICARAGUA	90.6	192.6
PANAMA	67.9	240.2
PARAGUAY	27.8	190.1
PERU	47.9	167.6
ST. VINCENT AND THE GRENADINES	66.3	211.1
SURINAME	88.4	241.5
TRINIDAD AND TOBAGO	87.9	139.5
URUGUAY	40.4	241.9
VENEZUELA	81.8	265.9

Source: World Bank Group. No date. *Enterprise Surveys: Finance*. Washington DC. World Bank Group. Available at: https://www.enterprisesurveys.org/en/data/exploretopics/finance

LAND OWNERSHIP AND INHERITANCE LAW

Restrictions on women's access to land-based assets are a major barrier to gender equality and this perpetuates women's economic dependency on men, particularly in land- and agriculture-based economies.

In nations where the agricultural sector is prevalent, women's land ownership is associated with higher educational attainment for women, better child nutrition, and more household bargaining power in addition to income growth. The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) recognizes gender-based discrimination as an "obstacle to the participation of women, on equal terms with men, in the economic life of their countries".

The majority of LAC nations guarantee women's rights to land assets, including access, usage, and decision-making. With the exception of Chile, all LAC nations' legal systems grant single and married women the same rights as males to own, control, and utilize land assets, as well as to use them as collateral.

In Chile, Article 1749 of the Civil Code establishes the legal presumption that husbands are the heads of household and control the administration of marital property. In addition, Article 135 of Chile's Civil Code provides that under the default matrimonial regime, the husband takes full control of the administration of his spouse's assets.

When it comes to women's rights to access and hold land after divorce or separation, legislation in many Caribbean nations, including Antigua and Barbuda, Dominica, Jamaica, and Trinidad and Tobago, discriminates against them.

In the majority of LAC nations however, social norms and traditional practices frequently obstruct women's access to land and favor men's land ownership.

According to much traditional thinking, the male head of the household serves as the main owner and decision- maker. For instance, most land titles in Ecuador are really assigned to the husband and continue to be at his disposal. In Dominica, the head of the household, who is typically a man, is listed as the owner of the property.

Many nations exhibit customs and traditional ways of life that support the transfer of wealth from fathers to sons. For instance, primogeniture is evident in Haiti and Peru, where the eldest male sibling and occasionally other male siblings are preferred for inheritance above female siblings. In Guatemala, customs allow boys in particular to receive a portion of their father's fortune right away, rather than having it first go to the widow, thus placing the widow in the hazardous position of dependency on her children. Additionally, widows who are not able to have their names on land titles frequently forfeit all their inheritance rights.[70]

While the law grants women rights on paper, these rights are not able to be exercised in practice and many women are not able to afford or undertake court action to pursue remedial action.

THERE ARE A LOW NUMBER OF MOVABLE COLLATERAL REGISTRIES

Report survey data suggest that only regulators from two of seven LAC countries which make up part of the sample indicated having a movable collateral registry. As research from Pailhé (2014) states, in many economies from the region, women's ownership of real estate such as land or housing may be very low, but there is evidence that women are less constrained in accessing and owning movable property.

The experience from Mexico, which implemented this system, and had more than 97 percent of registrations in the first year supporting loans that benefited MSMEs,[71] implies that there is an important opportunity cost that the rest of the region is paying by maintaining the status quo to the detriment of women entrepreneurs.

[70] Organisation for Economic Co-operation and Development (OECD). 2020. 5. *Restricted access to productive and financial resources*. In SIGI 2020 Regional Report for Latin America and the Caribbean. Social Institutions and Gender Index. Paris. OECD Publishing. Available at: https://www.oecd-ilibrary.org/sites/8704122d- en/index.html?itemId=/content/component/8704122d-en

[71] International Finance Corporation. 2016. *Collateral Registries: A Smart Way to Expand Access to Finance*. Stories of Impact. October 2016. Washington DC. IFC. Available at: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impac t-stories/collateral-registries-smart-way-to-expand-a2f

COLLATERAL REGISTRIES HAVE NOT CHANGED MUCH OVER THE YEARS

The role of the electronic collateral registry is recognized as one of the key enabling factors for accelerating women's financial inclusion under the Denarau Action Plan. However, over the past five years, only Nicaragua[72] has made efforts to reform its collateral registry system, despite the latent need generated by the growth of DFS.

Table 6 shows countries in the region that have undertaken some reform related to collateral registries in recent years. Most of these were prior to 2016.

[72] World Bank Group. 2021. Business Reforms in Latin America & Caribbean: Doing Business Archive. Washington DC. World Bank. Available at: https://archive.doingbusiness.org/en/reforms/overview/region/latin-america-and-caribbean

TABLE 6: COLLATERAL REGISTRIES REFORMS IN LAC

COUNTRY	YEAR OF LAST REFORM
GUATEMALA	2009
HAITI	2010
HONDURAS	2012
COLOMBIA	2015
JAMAICA	2015
PANAMÁ	2015
COSTA RICA	2016
EL SALVADOR	2016
MEXICO	2016
NICARAGUA	2019

Source: World Bank Group. 2021. *Business Reforms in Latin America & Caribbean: Doing Business Archive*. Washington DC. World Bank. Available at: https://archive.doingbusiness.org/en/reforms/overview/region/latin-america-and-caribbean

PILLAR 4 **RECOMMENDATIONS**

Land ownership and inheritance law. This is outside the mandate of the financial regulator. As is noted, even when equal-rights legislation is in place, it is frequently not what happens in practice, especially when access to education and rights are limited.

The regulator can support other ministries in developing these recommendations, but it will need to be conducted through a collaborative approach where the whole ecosystem is brought together to ensure that what is developed on paper then translates into practice. The list includes the following:

- The reform of legal systems is required to make full or partial ownership of property the default system for handling marital assets and to assure shared management of marital assets
- Requiring that spouses must give their informed written consent in order for such property to be transferred or sold
- Developing initiatives for legalizing partnerships and unions for couple-headed households, particularly in rural areas, and promoting joint land titling. In this regard, new legal instruments to legalize intercouple relationships quickly and simply can be created.
- Strengthening decentralized and integrated land administration systems and streamlining land registration processes
- Supporting initiatives to increase the proportion of female landowners by collaborating with women's rights organizations focusing on land rights. In particular, it is important ensure that women's rights organizations and groups are represented in all decision- making processes involving land and agriculture, that they have access to all information, and that they can gain from donor- or government-funded capacity- building
- Creating and implementing communication and outreach programs to increase awareness of the land rights of both men and women
- Implementing specialized processes and initiatives to support women's access to land in poor, indigenous, and Afro-descendant communities

Promotion of the use of movable assets can facilitate access to resources by increasing available credit, while helping to reduce the cost of financing for micro, small and medium- sized enterprises. In addition, the use of these guarantees within a sound legal and regulatory framework promotes the formalization of credit by allowing formal financial institutions to accept previously uncollateralized assets as collateral. Borrowers will have less recourse to informal credit, while banks will see reduced risk in extending such credit.

A movable collateral registry is an important tool to increase SME financing and solve multiple challenges for WMSMEs.

Furthermore, research proves that the impact of the introduction of movable registries on firms' access to finance is larger among smaller firms, thus providing critical evidence for the interest in financing MSMEs.

Collateral registries need to be updated. A modern collateral registry[73] (centralized, notice- based, and with online public access) is vital to a well-functioning modern economy. The registry should be unified for all types of movable assets, searchable, and accessible online for verifications, registrations, amendments, and renewals.

Collateral registries are particularly interesting as their digitization makes them more compelling in an increasingly digitized financial market and gives them greater potential for adoption. Being online means it is more easily accessible to the public and can also be integrated more smoothly with digital systems for automation purposes. Making registries and electronic transactions secure revitalizes the registry into an active, accessible, reliable, fast, and modern system, which enables it to provide adequate support for the functional needs of WMSMEs.

This Pillar intersects with the digital policy developments (Pillar 5) and plays a direct role in enabling digital banking, data sharing, and technology infrastructure. For example, the digital and electronic accessibility of databases – such as collateral registries – can be a major driver of business models that aim to create innovative financial products and extend credit to the underserved and underbanked. Having the policy for an electronic collateral registry coupled with policies on data sharing and government investments in building the digital infrastructure to facilitate it in the ecosystem, can have significant impacts on market entrants and thus products. Like Pillar 5, these actions support FinTech innovations that better address WMSMEs financial needs.

Alternative Credit Scoring is another critical tool for MSMEs, especially WMSMEs, to build credit. Digital wallets and digital payments are a crucial function to couple with this, lowering the cost of operations and liquidity.

With the rise of digital finance and a boom in digital devices such as smartphones, credit scoring based on alternative data sets has been heralded as a game-changer for expanding credit to the underserved on a larger scale, with lower risk, and in an affordable way. The opportunity has particularly been demonstrated in the LAC region, and many companies have taken hold of it. Many of these are not traditional banks or financial institutions but neobanks and modern FinTechs using embedded finance products. Since 2017, the number of digital banks has more than doubled, reaching 52 independent neobanks in 2021.[74]

Alternative credit scoring can be particularly transformative for women, as women are more likely to be "thin file" credit customers than men. By leveraging data from other sources, women can have more options and greater financial access. In addition, with the rise of FinTech and mobile payments, women can receive money in mobile wallets and are not required to visit banks physically, which offers them more opportunities to be economically productive as they are not spending time travelling to a bank branch and can therefore have more time to fulfill the unpaid care burden of family they are expected to carry.

Nevertheless, credit scoring is only as good – or as biased – as the data it is based on. If there is uneven or disproportionate data on men and women, then bias can be reflected in the algorithms used for credit scoring. There is a risk of bias with any algorithm or machine learning. Some measures can be applied to mitigate algorithm bias, such as consumer surveys and conducting algorithm audits. Attention to this can help mitigate the risks of perpetuating gender bias in credit scoring. It further intersects with Pillar 5, making DFS accessible to WMSMEs and helping them expand their credit history.

[73] MacEachern, E., Sultanov, M., Rodriguez Felipe, E. and Martin Wilson, J. 2015. *Brief: Secured Transactions and Collateral Registries*. 5 October. Washington DC. World Bank Group. Available at: https://www.worldbank.org/en/topic/financialsector/brief/collateral-registries

[74] Fintechnews Switzerland. 2021. *Latin America and the Caribbean Sees Booming Digital Banking Sector with Brazil at the Lead*. Fintech Schweiz Digital Finance News – FintechNewsCH. 19 July. Fintech News Switzerland. Available at: https://fintechnews.ch/latin-america-fintech/latin-america-sees-booming-digital-banking-sector-with-brazil-at-the- lead/47312/

PILLAR 5

DEVELOP DFS WHICH ARE FOCUSED ON WMSMES

While this pillar emphasizes DFS and DFS policy as a way of bringing financial service access points closer to women, it also includes enabling and promoting the development of agent networks with a comprehensive agenda on regulating banking agents.

This research report expands this Pillar to encompass important factors that will give women greater access to financial services; diving into credit bureaus; the opportunities and challenges of regional harmonization of policy, economy, and systems; enabling the development of banking agents and KYC; incorporating WMSMEs financial behavior and needs (via Open Banking) in DFS policy, and sandboxes.

It must be noted that economic interruptions brought about by the COVID-19 pandemic generated changes in the priorities of regulators and other government institutions. The pandemic-related changes resulted in delays in the development and implementation of previous regional efforts on women □s financial inclusion. During the KIIs in this research, most programs that were being defined, recently implemented or that were already ongoing, were put on hold or stopped altogether. Their benefits will either be nonexistent or delayed until renewal of said programs.

It is also important to mention gender perspective: while financial inclusion policy has been advancing and changes to policy are made on a regular basis throughout the region, gender considerations in financial inclusion policy have stalled. It has been identified throughout the KIIs that: correctly applying a policy intended to help women without directly hindering any other group, or implementing a policy that only benefits women, are both difficult and need further review. When financial policymakers and regulators do take a fully gender sensitive approach to regulation and policy, it is not just women who benefit, it is also their families, communities, and wider society, including men, who reap the rewards.

Even if some countries like Ecuador and Mexico with their National Policy on Financial Inclusion include a specific objective to enhance the financial inclusion of women, many financial inclusion policies around the region are not sufficiently gender sensitive and may in fact risk replicating or even reinforcing existing structural barriers that impact women's economic opportunities.

CREDIT BUREAUS

Credit bureaus, also known as credit reporting service providers (CRSPs) are usually a monopoly or duopoly and are mainly private as identified through the KIIs. People have to pay for their own credit score data which does not present an enabling environment when considering improving access to credit.

Due to this in part, it has been identified that alternative credit scoring is gaining popularity. Most credit bureaus in LAC are very traditional and reluctant to share information openly. Furthermore, because they operate in the private sector, are not obliged to include data from FinTechs. In time, this situation will cause them to fall behind further as good predictors of creditworthiness and decrease the value of their role in the market.

REGIONAL HARMONIZATION

Regulators collaborate to synchronize national policies and systems through a process known as regional harmonization. To be adopted and put into practice at both the national and regional level, these policies must advance shared interests and tackle shared problems.

During the research for this report, it has been found that regional harmonization in LAC has taken the form of economic policy cooperation in the form of international commercial treaties between countries. Those who are worth mentioning are the Central American Integration System (SICA) and the Union of the South American Nations (UNASUR) that both have economic, social, and policy and institutional strengthening and integration as their priorities.

DFS in LAC have already demonstrated being on a large scale and with a growth trajectory for the near and medium-term that remains very strong. Between 2018 and 2021, the number of Fintech platforms grew by 112 percent. Nearly a quarter of FinTech platforms globally (22.6 percent) are from LAC.[75] DFS are well regarded as important mechanisms for financial inclusion of marginalized groups and for expanding women's financial inclusion. With this kind of growth and potential, the full impact of DFS remains limited by lack of alignment between countries. Cross-border transactions are central to trade and to the functioning of an economy, and where regional harmonization of DFS needs more enabling policies.

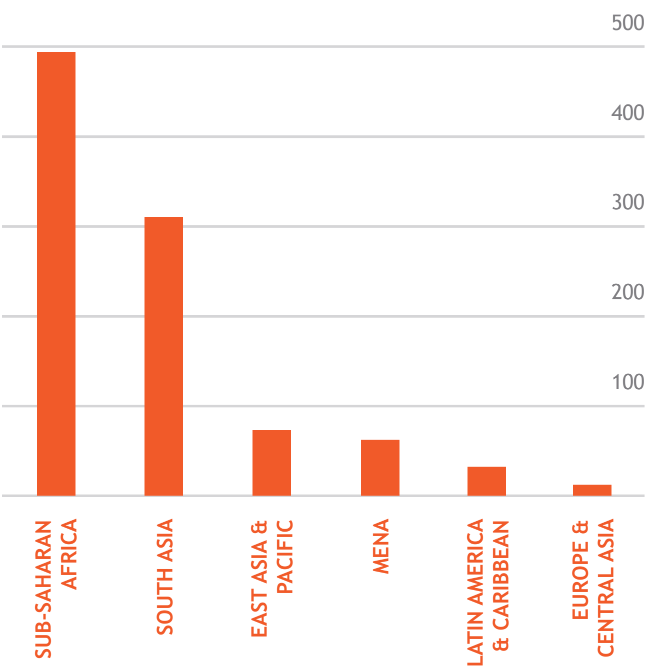
[75] Inter-American Development Bank. 2022. S*tudy: Fintech Industry Doubles in Size in Three Years in Latin America and the Caribbean*. News Releases. 26 April. IDB. Available at: https://www.iadb.org/en/news/study-fintech-industry- doubles-size-three-years-latin-america-and-caribbean

ENABLE DEVELOPMENT OF BANKING AGENTS AND KYC

Compared to other regions, LAC has significantly higher rates of national ID coverage overall, and among women and more well- developed banking sectors. Agent banking has been well-developed in LAC for decades and thus has a level of agent extension available to women. It is one policy domain where LAC has an advantage.

LAC is home to higher national ID penetration rates than other regions. This offers women greater KYC and access to finance. **Figure 8** shows that among LAC countries, the countries supplying data show strikingly balanced gender parity for the number of registered adults. LAC has only three percent of the global share of unregistered people.

FIGURE 8. MILLIONS OF UNREGISTERED POPULATIONS BY REGION (2018 ESTIMATE)



Source: The World Bank Group. 2018. *ID4D Global Dataset 2018 Edition*. Washington DC. World Bank Group. Available at: https://id4d.worldbank.org/global-dataset

INCORPORATE WMSMES' FINANCIAL BEHAVIOR AND NEEDS (VIA OPEN BANKING) IN DFS POLICY

The private sector responded to the behaviors of WSMEs and needs of the enabling environment in many countries in LAC and spawned the growth of the "API economy" with open banking. All types of players are collaborating, co-creating, and offering inclusive solutions and business models.

Rappi[76] is a perfect example of open banking or open finance. A delivery app, it has thousands of supermarkets, restaurants, pharmacies, and other stores within its ecosystem. It has used an embedded finance model to offer consumer and financial services to larger audiences. Behind the scenes are financial institutions that enable the financial services provided through the app. Rappi already offers credit cards in Mexico, Colombia, Peru, and Brazil; offers working capital credit lines to restaurant owners and merchants with whom it partners, and even plans to launch insurance products.[77]

FinConecta offers non-bank businesses a leading-edge API platform that combines banks, payment processors, insurance companies, and other market participants through one single integration. It expands the benefits of open banking to non-financial institutions and allows them to integrate third-party solutions, accelerate time to market, and design new business models.[78]

Although these countries provide inspiring and pioneering examples, the implementation pace of open banking is not the same across the whole region. Each country is at a different stage in terms of the implementation of a regulatory framework for open banking.

Leading the LAC region, Brazil and Mexico have passed regulation and are already implementing open banking changes. But this is not the norm. Usually, the market leads the way, with FinTechs generating new use cases and operating before any type of regulation is set up. This is what regionally happens in LAC; most countries have identified that FinTech and open banking is around the corner and have begun deepening their understanding of the matter. There are a few instances in which open banking has not been discussed, Suriname being one example where no information could be found. Nor was any elicited during the KIIs.

[76] Bocanegra, N. 2021. *Rappi hopes to be operating as digital bank in Colombia by early 2022, executive says*. 8 November. Bogota. Reuters. Available at: https://www.reuters.com/technology/rappi-hopes-be-operating-digital-bank- colombia-by-early-2022-executive-says-2021-11-08/

[77] Kang, J. 2021. *Delivery app Rappi partners with Visa to launch credit cards in Brazil*. 1 July. Reuters. Available at: https://www.reuters.com/business/finance/delivery-app-rappi-partners-with-visa-launch-credit-cards-brazil-2021-07- 02/

[78] Finconecta. No date. *Open Innovation*. Finconecta. Accessed on 19 May 19, 2021. Available at: https://finconecta.com/open-innovation/

TABLE 7: OPEN BANKING IN LAC REGION

COUNTRY	STATE OF OPEN BANKING FRAMEWORK
ARGENTINA	So far, Argentina has no official open banking regulations. The Central Bank of Argentina (BCRA) has promoted some dialogue around open banking initiatives. The BCRA and the Financial Information Unit (UIF) have incorporated some provisions into their regulations to support open banking. This includes allowing banks to share client information at their request for digital onboarding processes and for drafting legislation with regard to consumers' rights to transfer their data.[79] However, these provisions have yet to be fully adopted in practice. While there is no official framework, Banco Industrial (BIND) launched its API Bank platform in 2018, becoming the first bank in Argentina to offer open APIs to the market.[80]
BRAZIL	The Central Bank and the National Monetary Council (NMC) approved the rollout of open banking initiatives in early 2019 as part of a broader financial system modernization. Implementation got underway in February 2021. It was planned in four phases: 1. Product and service information (completed) 2. Customer information (completed) 3. Transactional information (completed) 4. Payment and credit transaction information (currently ongoing, it began in December 2021 and is anticipated to last through 2022)[81]
BOLIVIA	Bolivia is lagging in this area and would benefit from establishing a clearer direction. Conversations among stakeholders are taking place. Some businesses are also emphasizing focus on the API economy, but the situation remains far from the true potential that can be achieved through a complete open banking ecosystem. This can only be realized with the intervention of the regulator.[82] Even without clear open banking regulations, the seventh annual Awards for Financial Innovators in the Americas 2022 "Fintech Americas", recognized the open banking platform of the National Bank of Bolivia with a Platinum medal, the highest decoration that the event gives to the leaders of innovation in the financial system in LAC. The open banking platform enables the democratization of information and financial transactions with other FinTech companies and startups, to promote new technological products and generate more advantages for banking users.
CHILE	The Financial Market Commission (CMF), in coordination with the Ministry of Finance and the Central Bank, is already working on a roadmap to provide a regulatory framework for certain FinTech models, such as crowdfunding platforms. The first draft of the Fintech Law for the securities market was created, with the ultimate objective of correcting the legal vacuum that existed up to that moment. Since then, the bill has gone through several stages, including a public consultation, and was recently sent to Congress for its discussion. The bill aims to regulate the new financial business models emerging in the market in order to ensure legal certainty, determining which entities and services shall be subject to regulation and the specific requirements to be met for the execution of their activities. The government also implemented the Financial Portability Law, a regulation that allows individuals and companies to freely change financial product providers. This is a step towards open banking. The CMF is expected to develop a general framework to specify rules for the open banking ecosystem in the country in the next two years.[83]
COLOMBIA	Industry stakeholders held a summit in August 2021, hosted by the Open Banking Exchange, to collaborate on developing open finance. Discussions focused on building a community to foster financial inclusion and transparency. The Finance Superintendent of Colombia and Deputy Director of the Unit of Financial Regulations (URF) indicated that the institutions overseeing the adoption of open banking are taking a coordinated approach, and a decree outlining the structure is expected in 2022.[65]

[79] Belvo. 2022. *The state of open banking in Latin America and the Caribbean: The main trends and regulation steps to expect in 2022*. Belvo. Available at: https://belvo.com/blog/the-state-open-banking-latam

[80] ECIJA. 2021. *Fintech in LATAM: a comparative law review.* 1 December. ECIJA. Available at: https://ecija.com/en/sala-de-prensa/fintech-sector-latam/

[81] ECIJA. 2021. *Fintech in LATAM: a comparative law review*. 1 December. ECIJA. Available at: https://ecija.com/en/sala-de-prensa/fintech-sector-latam/

[82] Diniz, Bruno. 2020. *Voice of the industry: The Open Banking journey in Latin America and the Caribbean*. The Paypers. 24 November 24. Available at: https://thepaypers.com/expert-opinion/the-open-banking-journey-in-latin- america--1245863

[83] Diniz, Bruno. 2020. *Voice of the industry: The Open Banking journey in Latin America and the Caribbean*. The Paypers. 24 November 24. Available at: https://thepaypers.com/expert-opinion/the-open-banking-journey-in-latin- america--1245863

COSTA RICA	In the case of Costa Rica, although it stands out in the isthmus with a 90 percent penetration of contactless payments, it does not have any type of FinTech regulation that benefits the strengthening of the sector. Even in its Digital Government proposal, there has been a stalemate (because legislation or internal controls that can promote and guide a digital transformation of the financial back end are lacking, thereby affecting clarity as to executing the required changes. This has prevented progress towards comprehensive policies with respect to the digitization of banking. The Central Bank of Costa Rica recently launched an initiative that will allow other actors beyond the regulated financial entities to be able to access the mobile payment system (SINPE) of the Central Bank. This initiative could be a boost for FinTech development in the country and support the start of open banking in the country.[84]
ECUADOR	Ecuador has no explicit regulation with regard to open banking: in May 2017, the Monetary and Financial Policy and Regulation Board issued the general rule that regulates the definition, qualification, and actions of auxiliary services of the financial sectors. (Monetary and Financial Policy and Regulation Board, 2017) This rule allows certain FinTech companies to regularize their situation and obtain authorization from the financial supervision and control body, especially because it increased the types of auxiliary services of the financial system. This regularization is the only one that these companies could have because in Ecuador there is no secondary regulation that regulates FinTech startups. The banking authorities of Ecuador, seeking an expansion of services to include open banking, made the effort of promoting development of the financial system to includes new technologies via the draft of the Organic Law Reformatory to the Organic Monetary Financial Code. In August 2021, Assemblywoman Nathalie Viteri presented a Fintech Law project that seeks to regulate three business models: FinTech, the stock market and InsurTech.[85]
EL SALVADOR	There is no special regulation for the FinTech sector. However, the following legislation exists: Law to Facilitate Financial Inclusion, which was approved by the Salvadoran Congress in accordance with Legislative Decree 72 and published in the Official Gazette 160 Volume 408 dated September 3, 2015. It has been amended on two occasions: by Legislative Decree 592, which was published in the Official Gazette 37 Volume 414 dated February 22, 2017, and by Legislative Decree 464, published in the Official Gazette 219 Volume 425 of February 20, 2019. It sought to regulate the incorporation and operation of the companies that provide services to supply electronic payments.[86]
GUATEMALA	Guatemala has an ongoing FinTech law project, where the Guatemalan Fintech Association points out that three main factors are sought: certainty to the various actors in the ecosystem regarding operating standards, including the end user; promoting the implementation of innovative and agile business models, and a collaborative approach in which the FinTech sector can work transparently with the public sector in its coordination.[87]
HAITI	EMTECH, a Central Bank Digital Currency (CBDC) Infrastructure provider based in the US, joined forces with HaitiPay, a FinTech company in Haiti, to demonstrate its first CBDC and Fintech proof of concept and showcase the impact it can have on the Haitian economy. Both companies, led by Haitian women, presented this proof of concept at Ayiti Tek Konekte (Haiti Tech Connect) event hosted by the Haitian Embassy in Washington D.C. on May 5, 2022, to an audience of technical community members, investors, partners, and representatives from the Central Bank of Haiti.[88]
HONDURAS	There are FinTechs selling open banking services, but as yet, there is no open banking law. A FinTech company recently carried out the launch of their new portal for open banking developers and services. Due to this, FinTechs and startups will be able to automate business processes by implementing their banking as a service philosophy, through which it allows them to offer their allies APIs that provide an efficient response to the needs of their companies.[89]

[84] López, M. 2021. *Open Banking en América Latina ¿estamos preparados?* 6 August. antit.io. Available at: https://www.antit.io/articulo/open-banking-en-america-latina-estamos-preparados

[85] Ovalle, M. 2021. *Los países latinos se suben al carro de las regulaciones fintech*. El Blog de Kushki. 4 November Kushki. Available at: https://www.kushki.com/en/blog/los-paises-latinos-se-suben-al-carro-de-las-regulaciones-fintech

[86] Ovalle, M. 2021. *Los países latinos se suben al carro de las regulaciones fintech*. El Blog de Kushki. 4 November Kushki. Available at: https://www.kushki.com/en/blog/los-paises-latinos-se-suben-al-carro-de-las-regulaciones-fintech

[87] Ovalle, M. 2021. *Los países latinos se suben al carro de las regulaciones fintech*. El Blog de Kushki. 4 November Kushki. Available at: https://www.kushki.com/en/blog/los-paises-latinos-se-suben-al-carro-de-las-regulaciones-fintech

[88] Fintech Future. 2022. *EMTECH and HaitiPay Unveil the First CBDC Proof of Concept for the Haitian Market, Leveraging Distributed Ledger Technology, APIs, and Fintech Services to Reimagine the Country's Payment Rails*. 5 May Business Wire. Available at: https://www.fintechfutures.com/techwire/emtech-and-haitipay-unveil-the-first-cbdc- proof-of-concept-for-the-haitian-market-leveraging-distributed-ledger-technology-apis-and-fintech-services-to- reimagine-the-countrys-payment-rails/

[89] Alfaro, H. R. G. 2022. *¡Seguimos liderando la innovación en la Región! LA FISE Institucional*. Available at: https://www.lafise.com/noticias/161seguimos-liderando-la-innovaci243n-en-la-regi243n-1

MEXICO	Mexico published their Fintech Law in 2018. Article 76 of this law applies to open banking, establishing that all financial institutions are obliged to share information using APIs in a standardized manner, enabling the exchange of data between banks, and authorized third parties. On March 10, 2020, Banco de México published the first open banking rules, which focused on Credit Information Societies ("SIC") and clearing houses. On June 4, 2020, CNBV issued the open data standard for ATMs, which will allow users of financial services to see the benefits of Open Banking / Open Finance and at the same time, know the location of available ATM and the products and services they provide. Citibanamex launched its API Hub in July 2021. This gives users and developers access to its public APIs for testing and implementation. Source: https://www.dof.gob.mx/nota_detalle.php?codigo=5594445&fecha=04/06/2020 The next phase of regulations is expected to address the sharing of customers' transactional data.[90]
NICARAGUA	There are FinTechs selling open banking services, but as yet there is no open banking law. The digital transformation that took place because of the pandemic forced them to pick up their pace in in terms of technology, an effort that began the decade before. Banco LAFISE has been able to see the pertinent trends and has accordingly prioritized the digitization of its products or services. Currently, the entity carries out a series of process transformations and implements methodologies to meet the needs of customers as quickly as possible. This includes the integration of smart technologies and new digital companies that are emerging to be part of their value chain. Although it is a complex process since it requires a change in mentality and methodologies, with products such as LAFISE open banking, more and more companies demand and incorporate these digital solutions into the management of their finances.[91]
PARAGUAY	The Paraguayan financial system has been growing in recent years and the disruption of the pandemic accelerated a digitization process that had already begun. Two of the most outstanding products launched in the first quarter of 2022 are reverse factoring) and open banking. In this way, the Bank is preparing to launch its open banking product, which seeks to be a unique service in the Paraguayan market, and which will allow a direct connection between the company's systems and the bank without accessing digital channels.
PERU	Although Peru has not set out any specific regulations for open finance, the country's financial institutions have been sharing customer data for some time. Financial institutions send customer information to the Peruvian Central Bank each month to create a profile. However, the banking landscape is changing without state regulation: > Banco de Crédito del Perú (BCP), Peru's largest bank, launched the real-time payments system, Yape, in 2016 to enable peer-to-peer payments. > In May 2020, FSP YellowPepper partnered with banks BBVA, Interbank, and Scotiabank to launch a competing system, PLIN. > Peruvian FinTech Maximo officially launched in January 2021. The open banking-compliant startup focuses on providing financial services and education to young people. > On April 6, 2022, the first legislative initiative that seeks to declare open banking of national interest was presented.[92]
URUGUAY	Uruguay has not yet approved any law or regulation related to open banking. Throughout 2021, the Central Bank of Uruguay convened policymakers, IT companies, startups, FinTechs, academics, traditional large banks, and other stakeholders of the wider financial services sector to participate in different working groups to share perspectives and insights on where they think open banking is heading. Although the regulation process itself has not started, all stakeholders are very enthusiastic about a potential open banking initiative.[93]

[90] Alfaro, H. R. G. 2022. *¡Seguimos liderando la innovación en la Región! LA FISE Institucional*. Available at: https://www.lafise.com/noticias/161seguimos-liderando-la-innovaci243n-en-la-regi243n-1

[91] Nicaragua Exporta. 2022. *Innovación para mejorar las experiencias de los clients*. Revista Nicaragua Exporta. Available at: https://revistanicaraguaexporta.com/innovacion-para-mejorar-las-experiencias-de-los-clientes/

92 Donoso, D. 2022. *El camino de América Latina por impulsar el Open Banking en medio del boom de las Fintech*. April 27. DFSUD. Available at: https://dfsud.com/peru/el-camino-de-america-latina-por-impulsar-el-open-banking

93 Aleman, X. 2021. *The state of Open Banking in LatAm*. 22 October. Open Banking Excellence. Available at: https://www.openbankingexcellence.org/blog/the-state-of-open-banking-in-latam

REGULATORY SANDBOX

Regulators and policymakers are most often uncertain about the effects that a certain policy will have in their respective jurisdictions, and thus have established sandboxes in hopes of developing a vibrant, innovative financial sector as well as mitigating regulatory and consumer risks.

Sandboxes emerge from contexts unique to each country, and their national benefits can be difficult to replicate elsewhere. While sandboxes can be a useful tool when used and set up appropriately, the rush to create them can create snags when authorities strive to achieve multiple aims. This is especially true if all of the many factors that can contribute to the success and overall impact of a sandbox have not been fully considered. Consequently, although many sandboxes have achieved some degree of success, others have encountered bottlenecks and challenges, including the failure to attract firms to participate. They also frequently miss the opportunity to build-in provision for FinTechs to have a focus on serving vulnerable segments of the population, such as women.

The objectives of a sandbox vary in practice. Sandboxes are usually classified into four types, based on their objectives. They can be:

- policy-focused
- product or innovation focused
- thematic
- cross-border

These categories are not mutually exclusive, however, and most of the time, while there are fixed objectives, they can also have specific objectives that do not easily fall in these areas.

FIGURE 8. SANDBOXES, INNOVATION HUBS, AND REGTECH LABS IN LAC

Source: World Bank. 2020. *Global Experiences from Regulatory Sandboxes*. Fintech Note; No. 8. Washington, DC. World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/34789

COUNTRY EXAMPLE: THE SANDBOX AS PART OF MEXICO'S HOLISTIC FINTECH APPROACH

In Mexico (a civil law jurisdiction) a regulatory sandbox is regulated under the nation's FinTech law, allowing both regulated and non-regulated entities to test their innovative technological business models. Mexico enacted its FinTech law in March 2018 to encourage innovation and extend regulatory perimeters to cover existing FinTechs operating in the market. The law granted the various regulators the authority to supervise FinTechs, set up a legal and regulatory framework for FinTech institutions, establish a FinTech supervision department within the Comisión Nacional Bancaria y de Valores (CNBV) to oversee crowdfunding and e-money, and launch a regulatory sandbox.

These efforts achieved some early successes in building FinTech expertise, encouraging active engagement between policymakers and FinTechs, and integrating policymakers and industry stakeholders within broader FinTech forums domestically and abroad.[94]

[94] Herrera, D. & Badillo, S. 2018. *Regulatory Sandboxes in Latin America and the Caribbean for the Fintech Ecosystem and the Financial System*. Inter-American Development Bank (IDB). Available at: https://publications.iadb.org/en/regulatory-sandboxes-latin-america-and-caribbean-fintech-ecosystem-and-financial- system

COUNTRY EXAMPLE: COLOMBIA - INTRODUCING SUPPORTIVE FINTECH REGULATION VIA A SANDBOX

In 2018, Colombia's regulator, Superintendencia Financiera de Colombia (SFC), initiated a legislative change to launch its InnovaSFC program to encourage financial sector innovation with targeted regulatory assistance. The program has three mechanisms: a hub to serve as a single contact point; the sandbox, or La Arenera, and a RegTech mechanism to leverage innovations that can help the regulator's internal processes.

As part of the sandbox, the regulator issues a two-year FinTech license for sandbox graduates before deciding whether to permanently adopt any linked regulatory changes. If adopted, the changes are communicated through external memos, which help to familiarize the financial sector with updated practices. Using this mechanism, Colombia has thus far issued new regulations for cybersecurity, cloud computing, payments schemes, and QR codes, and is in the process of issuing FinTech licensing and new anti-money laundering rules.[95]

COUNTRY EXAMPLE: ENCOURAGING FINTECH PARTNERSHIPS IN BRAZIL

In May 2018, the Central Bank of Brazil (BCB) launched the Laboratory of Financial and Technological Innovations (LIFT), a FinTech incubator and a sandbox to accelerate the development of start-ups and accept submissions from early-stage innovators.

Fintechs entering the BCB's sandbox are supported by participating organizations and LIFT partners, including the Federação Nacional de Associações dos Servidores do Banco Central (a Brazilian non-governmental organization) and industry partners, including researchers, developers, specialists, and representatives from firms like Oracle, Amazon Web Services, IBM, and Microsoft.

Partners provide guidance, as well as products and services, to support sandbox applicants with prototypes: in many cases, they partner with startups to launch in the sandbox and eventually enter the Brazilian market. This approach allows LIFT and the BCB to help stimulate entrepreneurship, increase competition, and introduce a new range of innovative solutions to enhance the Brazilian financial sector, such as increasing financial education and inclusion, making credit cheaper, modernizing legislation, and making the financial system more efficient.[96]

Nevertheless, potentially more significant is how sandboxes could be used to develop a broader enabling environment for inclusive innovation in Brazil.[97]

[95] World Bank. 2020. *Global Experiences from Regulatory Sandboxes*. Fintech Note; No. 8. Washington, DC. World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/34789

[96] King, R. 2019. *Sandbox Initiative: Central Bank of Brazil*. 4 September. Central Banking. Available at: https://www.centralbanking.com/fintech/4397616/sandbox-initiative-central-bank-of-brazil

[97] United Nation's Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA). 2019. *Early Lessons on Regulatory Innovations to Enable Inclusive Fintech: Innovation Offices, Regulatory Sandboxes, and Regtech*. 22 February. New York. UNSGSA. Available at: https://www.unsgsa.org/publications/early-lessons-regulatory- innovations-enable-inclusive-fintech-innovation-offices-regulatory-sandboxes-and-regtech

PILLAR 5 | RECOMMENDATIONS

Credit Bureaus should be considered an integral part of the financial ecosystem. Regulators should consider the following advantages of credit bureaus and use these as the catalysts for facilitating an enabling policy environment and with it expand consumers' or WMSME's access to sustainable credit:

- Helping individuals and MSMEs build their "reputational collateral" via the accumulation of payment history data and other predictive data sets and making this data available to lenders. Credit reporting systems may help lenders to expand markets to include unserved individuals and MSMEs.
- Including a "quality" component, which can be interpreted as improved terms and conditions, including interest rates, with which individuals and firms access loans and other forms of credit.
- Making access to credit sustainable over time. Usage of credit reporting data can be useful for avoiding over-indebtedness.
- Improving consumer and MSME financial literacy. Giving individuals and MSMEs access to their credit reports and credit scores and providing them with essential information on how lenders commonly evaluate this data means that they are empowered with new knowledge. This leads to better credit management skills and understanding of how credit scores work.
- Helping avoid and combat fraud. One of the functions of a CRSP is to properly identify loan applicants, identifying information and match applicants' identifying data with other existing files of data to ensure that an applicant is not trying to obtain credit that would lead to over-indebtedness where there is no intention or ability to repay.
- Creating a level playing field for small lenders to compete against larger lenders by ensuring regulation does not discriminate against them.[98]

Regional Harmonization. When properly implemented, regional harmonization of national policies and systems in favor of simplifying DFS can lower family expenses while boosting national economies.[99]

Among the benefits of regional harmonization of DFS and DFS regulation are increased service quality and decreased costs brought by competition among existing and new market players. Regional harmonization can lead to clear standards of practice that ensure consistent consumer protection across different jurisdictions. It can also allow for robust regional infrastructure that can catalyze innovation from local entrepreneurs while still allowing for services to be tailored according to local needs. By being able to participate in regional economic activities through DFS, vulnerable groups will gain sources of income for their welfare and economic development at large.

At the domestic level, it is crucial to identify, resolve, and harmonize policy issues that create hurdles to DFS. This pertains to differences in rules and legal and regulatory frameworks among key industries.

At the regional level, regulatory arbitrage is the key issue that may affect cross-border DFS. These may come in the form of varying licensing and supervision regimes for DFS in different country jurisdictions, different levels of consumer protection frameworks, and contrasting regulations on foreign exchange.

Enable development of banking agents and KYC. LAC can offer the global community good examples of adopting innovative KYC practices to be inclusive. Table 8 shows both the most common indicators required by regulators when completing official documents such as the INE voting card in Mexico, the CI identity card in Bolivia, or the DNI national identity document of Honduras. The most common indicators are full name, address, and date of birth. Bolivia, Costa Rica, and Chile required between five and eight types of information for official documents. Honduras required only one piece of information, but many countries used between two and four. Both Colombia and Peru quickly developed residency cards and provided them to Venezuelan migrants and refugees, allowing them to live, work, and be financially included in their new host country.

[98] World Bank Group. No date. *How Credit Reporting Contributes to Financial Inclusion*. World Bank Consultations. Washington DC. World Bank. Available at: https://consultations.worldbank.org/consultation/how-credit-reporting- contributes-financial-inclusion

[99] Ditkowsky, A. 2021. *Regional harmonisation for digital financial services: Putting the focus on enabling policies*. UNCDF Policy Accelerator. 5 May. New York. UN Capital Development Fund (UNCDF). Available at: https://www.ciat.org/ciatblog-tributacion-para-las-mipymes/

TABLE8: INFORMATION REQUIRED IN OFFICIAL IDENTIFICATION DOCUMENTS BY LAC REGULATORS

INFORMATION REQUIRED BE IN OFFICIAL DENTIFICATION DOCUMENTS BY REGULATORS	COUNTRIES
FULL NAME	27
ADDRESS	19
DATE & PLACE OF BIRTH	12
ID NUMBER	9
TELEPHONE OR EMAIL	5
NATIONALITY	4
INVOICE NUMBER	3
OCCUPATION	2
STATUS	1
YEARLY INCOME	1
PERSONAL REFERENCES	1

QUANTITY OF INFORMATION REQUIRED

1	2	3	4	5	8
HONDURAS	BARBADOS BELIZE BRAZIL CAYMAN ISLANDS CUBA GUATEMALA MEXICO PANAMA PARAGUAY SAINT KITTS AND NEVIS SURINAME	PERU DOMINICA BAHAMAS GUYANA VENEZUELA	COLOMBIA ECUADOR DOMINICAN REPUBLIC URUGUAY EL SALVADOR ARGENTINA JAMAICA	CHILE COSTA RICA	BOLIVIA

Source: Shufti Pro. No date. *Compliance*. Available at: https://shuftipro.com/compliance/
KYC-Chain. No date. *kyc.io: Global Regulations and Requirements for KYC Onboarding*. kyc.io. Accessed in 2021. Available at: https://kyc.io/

Incorporate WMSMEs' financial behavior and needs (via open banking) in DFS policy. Moves by regulators to more open banking will help with including financial behavior and needs, especially for WMSMEs. New data-sharing systems and flexible payments could spur innovation by unlocking access to consumer data, now held within payment companies, banks, and other financial institutions. These changes, combined with the ability to direct payments, enable responsible players to design a range of new products and services that are more competitive. It also gives customers more financial choices at lower prices and is better tailored to meet their specific needs. More open use of data and payments can benefit millions of low-income people entering the formal financial system and improve their ability to engage with the real economy.[100]

[100] Chen, G., & Faz, X. 2019. *Open Data and the Future of Banking. CGAP Leadership Essay Series*. 23 October. Washington DC. CGAP. Available at: https://www.cgap.org/blog/open-data-and-future-banking

Open data regimes will need to draw on a more comprehensive range of firms that reach a much broader customer base and contribute to large volumes of consumer data. For instance, Mexico's FinTech law is an excellent example of an effort to widen the data supply. Open Banking in Mexico has its foundations in Article 76 of that Law, which establishes data-sharing obligation upon financial entities, credit information societies, money transmitters, payment clearing houses, and sandbox participants.

Innovations like open banking will lead to more significant development of many mechanisms for expanding credit, including more alternative credit scoring mechanisms in the market, which have considerable potential for expanding credit availability for women consumers, as described under Pillar Four. The potential for alternative credit scoring is significant, even more so in LAC, where smartphone usage is higher than in other LMIC regions.

Regulatory Sandbox. A regulatory sandbox has the potential to meet several objectives, both regulatory and institutional. While regulatory objectives are most commonly limited to financial stability, integrity, consumer protection, inclusion, and, occasionally, competition, institutional objectives may be wider in scope, such as supporting the FinTech ecosystem or encouraging engagement with the private sector.

Sandboxes can allow innovators to understand the expectations of playing on a bounded field, and reduce the time, costs, and uncertainty of launching a new product into the regulated financial sector. It contributes to creating an evidence base for regulation and a joint reference base for different stakeholders. It can be significant for financial inclusion – which underlies expanding financial access to women and MSMEs – where multiple government actors play a facilitating role.

TABLE9: REGULATORY SANDBOX BENEFITS

BENEFITS TO REGULATORS	BENEFITS TO INNOVATORS	BENEFITS TO CONSUMERS
> Support long-term policymaking through trial and feedback > Signal commitment to learning and innovation > Promote market participant interaction and collaboration > Modernize regulations that could obstruct beneficial innovation	> Reduce time-to-market by expediting the approval procedure. > Reduce regulatory uncertainty, such as the possibility that emerging innovations and business models would be banned. > Collect information regarding regulatory requirements and dangers > Boost the access to capital	> Encourage the launch of possibly safer new products > Expand availability of financial products and services

Source: Shufti Pro. No date. *Compliance*. Available at: https://shuftipro.com/compliance/
KYC-Chain. No date. *kyc.io: Global Regulations and Requirements for KYC Onboarding*. kyc.io. Accessed in 2021. Available at: https://kyc.io/

PILLAR 6

ENCOURAGE DIVERSITY AND WOMEN'S LEADERSHIP IN FINANCIAL AND BUSINESS SECTORS

Regulators and financial policymakers could include programs in their internal policies and procedures to create awareness on the benefits of women's leadership and diverse workforces within their own institutions and those that they supervise or regulate. In LAC, research has yielded a lack of women in leadership roles within financial regulatory institutions, and many see this as related to rates of financial inclusion. It is a step that central banks and governments themselves can take.[101]

According to a study conducted by McKinsey of 345 companies from six countries of the region, 63% of companies in LAC have declared that gender diversity is not a strategic priority.[102]

Gender diversity among LAC companies is currently low, particularly at leadership levels, with women representing only 8.5 percent of board members and merely 9.2 percent of top management employees in publicly listed companies. Gender awareness is relatively low in the LAC investment industry, even among impact investors. According to a survey by the Association for Private Capital Investment in Latin America (LAVCA), of 78 impact investors in LAC, 35 percent of respondents reported no investments, and 30 percent reported that 10 percent or fewer were in women-led businesses.[103]

The gender gap further widens when moving up the leadership ladder in LAC. For example, although women's political participation has increased among parliamentarians, only 29.3 percent of the regional parliamentarians are women, with considerably lower rates in several countries such as 2.5 percent in the Haitian lower house, 14.8 percent the Brazilian senate, and 19 percent in the Guatemalan lower house.[104]

Within the AFI network, the LAC region has the highest percentage of heads and deputy heads of institutions who are women, and there is also a strong showing of women in management positions, which bodes well for a future pipeline of women leaders.

The presence of women in management positions is one of the reasons why there has been an emergence of new policies and projects throughout the ecosystem that drive change and support gender sensitive and gender transformative policy and regulation.
Chile is the only country in the world that has consistently tracked sex-disaggregated supply- side data on access to and use of financial services at the national level for over a decade. The Superintendencia de Bancos e Instituciones Financieras de Chile (SBIF) began collecting sex-disaggregated data in 2001 as part of a government-driven focus on gender equality. Chile assumed the United Nations Women's Empowerment Principles (WEP), showing its commitment to diversity and inclusion. This allowed it to carry out a self-diagnosis, identify opportunities to strengthen gender equity, and increase the number of women in leadership positions. The Central Bank established training sessions on gender equality and delivers periodic and continuous messaging on the topic.[105]

[101] Asian Development Bank. 2014. Gender Tool Kit: *Micro, Small, and Medium-Sized Enterprise Finance and Development*. Mandaluyong City. ADB. Available at: https://www.adb.org/documents/gender-tool-kit-micro-small-and- medium-sized-enterprise-finance-and-development

[102] Artigas, M., Novales-Flamarique, M., Callegaro, H., 2013. Women Matter: A Latin American Perspective. Chicago. McKinsey & Company. Available at: https://www.femtech.at/sites/default/files/Women%20Matter%20Latin%20America.pdf

[103] Buckland, L. Cordobés, M. Oueda Cruz, S. and Murphy, L. 2019. Report: *Gender Lens Investing: How Finance Can Accelerate Gender Equality in Latin America and the Caribbean*. Washington DC. IDB Invest. Available at: https://www.idbinvest.org/en/publications/report-gender-lens-investing-how-finance-can-accelerate-gender-equality- latin-america

[104] Inter-Parliamentary Union (IPU). 2019. *Women in national parliaments*. Geneva. IPU. Accessed in 2022. Available at: http://archive.ipu.org/wmn-e/classif.htm

[105] Mayher, C.L., Azar, K., Andrade, S.G. 2022. *Mejores prácticas para el financiamiento de mipyme de mujeres en América Latina y el Caribe: recomendaciones para bancos nacionales de desarrollo*. Banco Interamericano de Desarrollo (IDB). Available at: https://publications.iadb.org/publications/spanish/document/Mejores-practicas-para-el-financiamiento-de-mipymes-de-mujeres-en-America-Latina-y-el-Caribe.pdf

PILLAR 6	RECOMMENDATIONS[106]

Senior Management Support. Success is greater if the organization's leaders set an example of supporting gender mainstreaming at work. Ninety percent of banks with successful programs for women's leadership have an executive leader dedicated to said program. The involvement of senior management is an outward commitment, and it strengthens internal initiatives.

Staff commitment. By building institutional capacity, all workers have an understanding and acceptance of what it means to attend to WMSMEs. Resistance to change is thus reduced, and the data shared justifies the new way of working; details the barriers that women face in the workplace and ways to remove those barriers; points to the benefits of working equitably with women and serving their market needs.

Training in skills and awareness to serve women entrepreneurs. The training focuses on the commercial area. Men must be considered so that they see the value of the program. Workers learn methodologies to understand clients' needs and offer better solutions. Ambassadors who direct these practices and spread them to the rest of the employees can be assigned. There is also a focus on training commercial agents who can then disseminate financial education content to women entrepreneurs, as they are the main contact point with clients.

Continuous internal communication. Share key messages with staff on how to better serve WMSMEs. Inform employees of the evolution of the portfolio and of the main gender indicators, show success stories that serve as references, and share messages from senior management.

Strengthening of systems and key performance indicators (KPI). Introduce incentives and consequences related to the new gender culture in the institution. Everyone should start with the knowledge of what it takes to work with WMSMEs, and the factors that encourage employees to get involved. To ensure long-term success of the strategy, KPIs disaggregated by gender, cross-selling ratio, non-performing loans, and retention ratio - among others - must be established.

Align treatment of clients with treatment of employees. What is implemented externally with clients must be practiced inside the organization. The establishment of a diversity and inclusion program within the entity is considered a prerequisite to guarantee the success of these gender strategies.

[106] Mayher, C.L., Azar, K., Andrade, S.G. 2022. *Mejores prácticas para el financiamiento de mipyme de mujeres en América Latina y el Caribe: recomendaciones para bancos nacionales de desarrollo*. Banco Interamericano de Desarrollo (IDB). Available at: https://publications.iadb.org/publications/spanish/document/Mejores-practicas-para-el-financiamiento-de-mipymes-de-mujeres-en-America-Latina-y-el-Caribe.pdf

CONCLUSIONS

This is a FILAC region-focused adaptation of the report A Policy Framework for Women-Led MSME Access to Finance.[107] In the LAC region, there are several success cases and progress in developing digital financial services aimed at WMSMEs but there are still barriers that must be lowered or eliminated.

The livelihood of most of the population depends on women and MSMEs. The presence of women in economic activity is essential. Half of the companies in the region (45.6 percent) are owned by women, 19.9 percent of the businesses in the region have a majority female ownership and 21.4 percent have women as part of the senior management. Thirty percent of households in the region depend entirely on the economic activities of women, and this participation is increasing (49 percent of the female population over 15 years of age). Also, MSMEs make up 90 percent of total enterprises, and between them, they generate more than 50 percent of the total number of jobs and a quarter of the regional GDP.

The report has identified some key barriers to WMSMEs' use of financial services in the region. More women than men work in the informal sector, making it difficult for them to access formal financial services and therefore they are pushed into using more expensive and risky informal financial services. A small but notable percentage of women have informal businesses and wish to maintain the status quo because they have little trust in formal mechanisms. These are among the groups that are hardest to reach. FSPs regularly underestimate the commercial benefits they can receive if they better serve women even though women are less familiar with their terminology, processes, and procedures. Due to social and cultural norms, women frequently lack titles when it comes to property or land ownership and they are less likely to have traditional forms of fixed assets, in addition to challenges in balancing work and family life. Many WMSMEs do not use financial services because sociocultural norms limit them or because they are in the informal sector and do not see incentives to move to the formal sector of the economy, especially as most financial services providers do not offer products and services that meet their personal or business needs. There are also structural factors that impede women. These are related to inequality and poverty and include low education levels, poor access to infrastructure and services, and less opportunity to gain higher level of business skills that are often needed to access formal credit.

DFS for WMSMEs in the LAC region has five drivers: a higher prevalence of ID coverage; higher- than-average income compared to other developing nations and regions; higher prevalence and use of smartphones; higher literacy levels, and new insights from DFS. But there are great contrasts between and within countries. Almost 70 percent of all mobile connections in LAC are smartphones, but Cuba, Guatemala, Honduras, and Nicaragua are lagging behind.

Overall, 93% of adults in the region have completed primary education, but there is considerable intra-regional variability in secondary education completion rates: while 73% of young women aged 20-24 have completed secondary school in Peru, only 24% of young women in Guatemala have done so, and this has a lifelong impact on their future opportunities.

For **Pillar 1**, it must be considered that there is an adverse macroeconomic environment caused by inflation and the decrease in the growth rates of the countries. It is a consequence of the past economic crises combined with the COVID-19 pandemic and the war in Ukraine. This situation will force the application of restrictive monetary policies but with a focus on investment and securing employment. MSMEs play an important role because they are job generators and provide economical income support for many families. This can help curb the increase in poverty and in hunger and food insecurity predicted by international organizations. The countries in the region are likely to maintain direct financial transfers through social protection networks and provide support for sectors that offer services to the most vulnerable population. Rural MSMEs should also be supported to ensure food security. At the commercial policy level, there is a significant opportunity to maintain export promotion programs focused on supporting WMSMEs, taking advantage of the increased demand for commodities, especially food and hydrocarbons.

[107] Alliance for Financial Inclusion (AFI). 2021. *A Policy Framework for Women-led MSME Access to Finance*. January. Kuala Lumpur. AFI. Available at: https://www.smefinanceforum.org/sites/default/files/AFI_SMEFWGBTG_PF_AW2_digital.pdf

With regard to **Pillar 2**, national statistics have improved because the national bodies are now managing to get more data disaggregated by sex across a range of fundamental demographic issues. However, it is still necessary to strengthen national and regional statistical systems to easily have information harmonized with standard definitions for socioeconomic indicators regarding women and their businesses. There is no standard definition of women's MSMEs among the LAC countries and this is something that can be addressed both at a national and regional level. There is also an opportunity to agree on a minimum set of data indicators that allow the visibility of women's economic activities, given that they operate mainly in the economy's informal sector. What is not measured does not change, so it is necessary to continue promoting the development of statistics from a gender perspective. It is also essential to create regular collection of statistical information and gender indicators that serve to design, implement, monitor, and evaluate policies to support WMSMEs, effectively reducing poverty and guaranteeing regional food security policies.

Pertaining to **Pillar 3**, there are training programs and successful use cases in LAC that show the use of platforms for improving consumer and business financial education. Training methodologies have gone from standard workshops to coaching, tutorials, and networking. However, the essential elements for the success of technical assistance have been the ability to understand the motivations of women entrepreneurs, and for financial institutions to develop empathy and better connections with them. In some LAC countries, platforms such as CreceMujerEmprendedora or ContaAzul are created to disseminate knowledge and information throughout the region.

Pillar 4 shows that collateral is strongly linked to access to finance in LAC. In many economies in the region, there is evidence that women are less constrained in accessing and owning movable property; this underlines the importance of enabling alternative sources of collateral and promoting new ways of creating credit for WMSMEs in the LAC context. An update of the regulations regarding collateral registries in the region could result in significant advances in access to credit for women entrepreneurs in the area. The main risk observed concerning alternative scoring mechanisms could lie in algorithms that may inherit some of the physical world gender biases present collectively in the region. Addressing and overcoming this technological risk is an enabler that could positively impact access to DFS for women entrepreneurs in the region.

Pillar 5 indicates how COVID-19 interruptions generated changes in regulators and other governmental institutions in their priorities during the pandemic. A number of new financial inclusion programs either became nonexistent or were delayed because of the impact of the pandemic. Also, while financial inclusion policy has been advancing and changes to policy are made on a regular basis, integrating key gender considerations in financial inclusion policy has stalled because many regulators not technically skilled enough on how to proceed in a practical fashion.

Credit bureaus are very traditional, charge the user, and are guarded with their information. This does not support better and more integrated information-sharing across the sector. In doing so, these bureaus miss out on the opportunities for better integration into the financial ecosystem and to be counted among the catalysts of financial policy definition. Although there is an initial intent to create regional harmonization, it has been identified that cross- border transactions are central to trade and to the functioning of an economy, and this is where regional harmonization of DFS needs more enabling policies. Compared to other regions, LAC has significantly higher rates of national ID coverage among both women and overall and this can become an example to other regions. Although the LAC region provides inspiring and pioneering examples, the implementation pace of open banking initiatives is not the same across the region, as each country is at a different stage in terms of the implementation of a regulatory framework for open banking. Innovations like open banking should facilitate an expanding of credit (through data sharing) and including more alternative credit scoring mechanisms for the market. Regulators and policymakers see the opportunities that FinTech presents as well as some of the core risks. They have thus established sandboxes in hopes of developing a vibrant, innovative financial sector which supports innovation while at the same time protecting stability. Restrictions on women’s access to land and other fixed and traditional assets is a major barrier to gender equality and perpetuates women's economic dependency on men, particularly in land- and agriculture- based economies. To counter this, inheritance law needs to change or be fully implemented so as to include any family member disregarding their gender and for the courts both legal and traditional to support the enactments of women's legal rights.

Finally, **Pillar 6** shows that institutional transformation is a primary condition for FSPs to advance in developing effective strategies for better supporting WMSMEs. Successful experiences in the region include looking at products and services available commercially with a perspective of gender diversity and developing more effective pipelines for women's leadership internally. Internal policies and specific goals linked to incentives can be generated to improve and innovate services for WMSMEs. The organization's top management is directly involved in its external and internal strategies and should champion institutional change. This could lead to employees at all levels being aware of the benefits of this new approach to the profitability of operations and staff incentives.

ACRONYMS

AFI	Alliance for Financial Inclusion
AFPI	African Financial Inclusion Policy Initiative
API	Application Programming Interface
ATM	Automated Teller Machine
CAF	Development Bank of Latin America
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CI	Bolivian Identity Card
CRSP	Credit Reporting Service Provider
CSS	Contributions to Social Security
DFS	Digital Financial Services
DNI	National Identity Document of Honduras
ECAPI	Eastern Europe and Central Asia Policy Initiative
ECLAC	Economic Commission for Latin America and the Caribbean
FAW	Financial Alliance for Women
FCC	Fully Credit-Constrained
FIAP	Financial Inclusion Action Plan
FIARI	Financial Inclusion for the Arab Region Initiative
FILAC	Financial Inclusion Initiative for Latin America and the Caribbean
FinTech	Technology used to support or enable banking and financial services
FSP	Financial Service Providers
G20	Group of 20; 19 countries and the European Union
G2P	Government-to-Person
GDP	Gross Domestic Product
GIF	Gender Inclusive Finance
GNI	Gross National Income
GPFI	Global Partnership for Financial
ID	Inclusion Identification
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
INE	Mexican Voting Card
IR	Income Tax
KII	Key Informant Interview
KPI	Key Performance Indicator
KYC	Know Your Customer
LAC	Latin America and the Caribbean
LAVCA	The Association for Private Capital Investment in Latin America
LISTA	Logrando Inclusión con Tecnología y Ahorro
LDC	Least Developed Country
LMIC	Low and Low Middle-Income Country
MENA	Middle East and North Africa
MFI	Micro-Finance Institution
MSME	Micro, Small & Medium Enterprise
NCC	Non-Credit-Constrained
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development

PCC	Partially Credit-Constrained
PIRI	Pacific Islands Regional Initiative
PPP	Purchasing Power Parity
QR	Quick Response (code)
RegTech	Technology used to support or enable regulatory processes
RIF	Fiscal Incorporation Regime
SELA	Latin America and the Caribbean Economic System (Spanish)
SICA	Central American Integration System
SDGs	The Sustainable Development Goals /2030 Agenda
SME	Small and Medium-sized Enterprise
UNASUR	Union of the South American Nations
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
USD	United States Dollar
VAT	Value Added Tax
WEP	Women's Empowerment Principles
WFID	Women's Financial Inclusion Data Dictionary
WMSME	Women-owned or -led micro, small & medium enterprise
WSME	Women-owned or -led small and medium enterprise

GLOSSARY

Capacity Building	The process through which individuals and organizations acquire, improve, and maintain the skills, information, tools, equipment, and other resources required to do their work successfully or to a higher level.
Data-Centric Culture	Indicates the extent to which all members of a company appreciate reliable, intelligible, accessible, visible, and linked data that enhances insights, supports behaviors, and drives better operational and strategic choices.
Developing World	Countries where the gross national income (GNI) per capita is less than USD12,695.
Early Marriage	Refers to any formal marriage or informal union between a child under the age of 18 and an adult or another child
Gender awareness	An understanding that the roles and social relationships of women and men are varied and that this has a profound influence on their needs and aspirations.
Gender gap	The difference between women and men, boys and girls in society based on gendered norms and expectations. Gender gaps represent the unequal distribution of resources, opportunities, and outcomes and usually become apparent through the analysis of gender data that reveals the extent of the inequalities.
Girl	A female child or young woman under the age of 18. For those over 18, use "woman" or "women".
Machismo	Is a form of masculine ideology within Latino communities. Men are portrayed as dominant figures while the women are docile.
Marianismo	The cult of the Virgin Mary, has been thought to influence the female ideal in many cultures (including non-Latina and non- Latino cultures) where Catholicism has been dominant.

Regulatory Sandbox An experimental framework set up by a financial sector regulator to allow small-scale, live testing of innovations by private firms in a controlled environment under the regulator's supervision.

WSME or WMSME MSMEs - micro, small, and medium enterprises owned/run or managed by a woman or more than one woman. Most countries lack national definitions, and there is currently no global definition. The terms ownership, control, and management are frequently used interchangeably, despite having slightly different meanings.

Words Matter Dictionary This document uses the AFI Inclusive Dictionary, which specifies language to avoid and also terms to overcome discrimination and marginalization.[1]

[1] Alliance for Financial Inclusion (AFI). 2022. *Words Matter: AFI's Financial Inclusion Dictionary Digital Edition*. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/wp-content/uploads/2022/11/Words-Matter-AFIs-Financial- Inclusion-Dictionary_2022_isbn.pdf

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KEY INFORMANT INTERVIEWS

Interviews: AFI Members

- Central Bank of Paraguay 11/10/2021.
- Superintendence of Banking, Insurance and AFP of Peru 11/16/2021.
- Central Reserve Bank of El Salvador 11/17/2021.
- Superintendence of Popular and Solidarity Economy (SEPS) of Ecuador 11/12/2021.
- Bank of the Republic of Haiti, 11/29/2021.
- General Superintendency of Financial Entities (SUGEF) of Costa Rica 11/18/2021.
- National Banking and Insurance Commission of Honduras 11/12/2021.
- National Banking and Securities Commission of Mexico 11/09/2021.
- Central Bank of Suriname 11/11/2021

Interviews: Women MSMEs Networks

- Fundación Desafíos (Argentina) 16/12/2021 (Argentina) 12/16/2021.
- GIF (Bolivia) 11/18/2021.
- Women Leading Latin America (Colombia) 11/17/2021.
- Red Equinoccio (Ecuador) 11/12/2021.
- Red de empresarias del Salvador (El Salvador) 11/10/2021.
- ProDesarrollo (Mexico) 09/11/2021.
- Red de Empresarias de Nicaragua (Nicaragua) 11/30/2021.

Interviews: DFS | MFI Institution

- ASOMIF - Chairman of the board - General Manager, 11/26/2021.
- Bwise (Ecuador), CEO, 12/08/2021.

Interviews: Experts

- Jeffrey Bower, IFC, 11/11/2021.
- Diana Boncheva Gooley, USAID, 11/12/2021.
- Sonia Vadillo, IDB advisor, 11/18/2021.
- Jose Felix Etchegoyen, IFC Banking on Women officer, 12/06/2021.
- Maria O'keefe, Financial Inclusion, 12/01/2021.

Survey Responses

- Dr. Christian Tondo, Director of Financial Inclusion Department, Central Bank of Paraguay 11/23/2021.
- Edgar Ventura, Financial Inclusion Analyst, Superintendence of Banking, Insurance and AFP of Peru 11/26/2021.
- Ana Idalia Portillo, Public Policy and Financial Innovation Analyst, Central Reserve Bank of El Salvador
- Juan Andrés Rodríguez Cisneros, Technical Expert 2 DNAE, Public Policy Evaluation Directorate Analyst, Superintendence of Banks Ecuador, 11/29/2021.
- Coordinator for Access to Finance, National Banking and Securities Commission Mexico, 11/30/2021.
- General Technical intendant, Superintendence of Popular and Solidarity Economy Ecuador, 12/03/2021.
- Ann Valery Victor, Financial Inclusion Analyst, Bank of the Republic of Haiti, 12/09/2021.
- Javier Suarez. Coordinator for Access to Financial Services B. National Banking and Securities Commission.
- Jorge Moncayo - General Technical Intendant - Superintendence of Popular and Solidarity Economy.

AFI CORE SET OF FINANCIAL INCLUSION INDICATORS

CATEGORY	SUB- CATEGORY	DIMENSION	ID	INDICATOR
AFI Core Set	N/A	Access	1.1	Number of access points per 10,000 adults
AFI Core Set	N/A	Access	1.2	Percentage of administrative units with at least one access point
AFI Core Set	N/A	Access	1.3	Percentage of total population living in administrative units with at least one access point
AFI Core Set	N/A	Usage	2.1	Percentage of adults with at least one type of regulated deposit account
AFI Core Set	N/A	Usage	2.2	Percentage of adults with at least one type of regulated credit account
Proxy indicator for Usage	N/A	Usage	2.1x	Number of deposit accounts per 10,000 adults
Proxy indicator for Usage	N/A	Usage	2.2x	Number of loan accounts per 10,000 adults
Second Tier	1. Affordability	Quality	1.1	Average monthly cost to have a basic account, based on the official minimum wage
Second Tier	1. Affordability	Quality	1.2	Percentage of clients who stated that the fees and charges for financial transactions are expensive
Second Tier	2. Transparency	Quality	2.1	Percentage of clients who believe they have received clear and sufficient information about financial services at the start of the loan contract
Second Tier	3. Convenience	Quality	3.1	Percentage of people who are not comfortable with the average time queueing at financial institution branches (and/or bank and non-bank agent)
Second Tier	3. Convenience	Quality	3.2	Average time spent queuing at a branch of a financial institution and/or bank and non-bank agent
Second Tier	4. Fair Treatment	Quality	4.1	Percentage of users who have felt mistreated by the staff of a financial institution
Second Tier	5. Consumer Protection	Quality	5.1	Percentage of consumers who have contacted a consumer protection authority to solve a problem regarding financial services within the last three to six months and had their problem resolved within two months
Second Tier	5. Consumer Protection	Quality	5.2	Percentage of clients whose deposits are covered by a deposit insurance fund (DIF)
Second Tier	6. Financial Education	Quality	6.1	Percentage of adults who know the definitions of these basic financial terms: rate, risk, inflation, and diversification
Second Tier	7. Indebtedness	Quality	7.1	Percentage of borrowers who are more than 30 days late with a loan payment
Second Tier	8. Choice	Quality	8.1	Percentage of administrative units with at least three different branches of formal financial institutions, in areas with more than 10,000 inhabitants)
Second Tier	8. Choice	Quality	8.2	Percentage of administrative units with at least three different branches of formal financial institutions)
SME	Digital financial access	Access	4	Percentage of enterprises with access to DFS

SME	Digital financial access	Access	4.1x	Percentage of population with access to DFS
SME	Credit access	Access	5	Percentage of SMEs required to provide collateral on any existing loan
SME	Formally banked enterprises	Usage	1	Percentage of SMEs with a deposit account at a regulated financial institution
SME	Formally banked enterprises	Usage	1.1x	Number of SMEs with deposit accounts / Number of deposits accounts
SME	Formally banked enterprises	Usage	1.2x	Number of SMEs depositors / Number of depositors
SME	Enterprises with outstanding loan or line of credit facilities	Usage	2	Percentage of SMEs with an out-standing loan or line of credit at a regulated financial institution
SME	Enterprises with outstanding loan or line of credit facilities	Usage	2.1x	Number of SMEs with outstanding loans / Number of outstanding loans
SME	Enterprises with outstanding loan or line of credit facilities	Usage	2.2x	Number of SMEs with outstanding loans / Number of outstanding loans
SME	SME loan guarantees	Quality	1	SME loan guarantees as a percentage of SME loan (in terms of value)
SME	SME loan guarantees	Quality	1.1x	Number of SME loans with guarantees / Number SME loans
SME	Relative cost of credit	Quality	2	Difference between the average SME loan rate and average corporate loan rate
SME	Women-owned SME accounts	Quality	3	Percentage of women-owned SMEs with a deposit account at a regulated institution
SME	Women-owned SME accounts	Quality	3.1x	Number of women-owned SMEs with deposit accounts / Number of deposit accounts
SME	Women-owned SME accounts	Quality	4	Percentage of women-owned SMEs with an outstanding loan or line of credit at a regulated institution
SME	Women-owned SME accounts	Quality	4.1x	Number of women - owned SMEs with outstanding loans / Number of outstanding loans
SME	Non-performing loans	Quality	5	Percentage of non-performing loans: • to total loans • to SME loans
DFS	Na	Access	1	Percentage of administrative units with agent outlet
DFS	Na	Access	2	• Number of agents per 10,000 adults • This can be disaggregated based on: - Male/female - Urban/rural
DFS	Na	Access	3	• Number of active DFS agents per 10,000 adults • This can be disaggregated based on: - Male/female - Urban/rural

DFS	Na	Access	4	• Number of merchant payment points per 10,000 adults • This can be disaggregated based on: - Male/female - Urban/rural
DFS	Na	Access	5	• Percentage of adult population with registered DFS accounts • This can be disaggregated based on: - Male/female - Urban/rural
DFS	Na	Usage	1	• Percentage of active DFS account holders: - Male/female - Urban/rural
DFS	Na	Usage	2	• DFS transactions (by volume) per registered account • This can be disaggregated based on: - Male/female - Urban/rural • And based on DFS transaction type as required by the jurisdiction or availability of data: - Total transactions - Cash-in/cash-out o Bill payments - Merchant payments - P2P transfers - Disbursement and repayment of loans (microfinance loans) - G2P payments - Salary payments - Value chain payments o E-commerce payments o Cash transfers - Airtime top-ups - Etc.
DFS	Na	Usage	3	• Value of DFS transactions, including: - Total - Cash-in/cash-out - Bill payments - Merchant payments o P2P transfers - Disbursement and repayment of loans (microfinance loans) - G2P payments - Salary payments - Value chain payments o E-commerce payments o Cash transfers - Airtime top-ups
DFS	Na	Quality	1	Disclosure requirement
DFS	Na	Quality	2	Number of complaints per 10,000 active users
DFS	Na	Quality	3	Percentage of complaints resolved
DFS	Na	Quality	4	Transaction failures
DFS	Na	Quality	5	Dispute resolution
DFS	Na	Quality	6	Financial literacy

Source: AFI Core Set

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