



## FINANCIAL INCLUSION PROJECT MOBILIZATION OF SAVINGS OF BENEFICIARIES OF CONDITIONAL CASH TRANSFER (CCT) PROGRAMS

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### 1. BACKGROUND

On 28 September 2010, the Financial System Authority (Autoridad del Sistema Financiero, ASFI) and Proyecto Capital signed an agreement to define a general framework for technical cooperation to evaluate, design and implement a program of massive financial inclusion, from the standpoint of national social protection policy and socio-economic inclusion of poor families in Bolivia. The agreement especially seeks to ensure more equal opportunity, participation and civic inclusion, as well as public policies for asset generation, through a financial inclusion process targeting recipients of conditional cash transfer (CCT) programs, such as

the Renta Dignidad, Bono Madre-Niño Juana Azurduy and Bono Juancito Pinto.

This framework agreement includes three phases: 1) preparation, 2) design and 3) implementation. For the first (preparatory) phase, a team was formed that included four ASFI staff members and a consultant from Proyecto Capital. The team met every two weeks to discuss and develop an assessment of the relevance and timeliness of taking advantage of CCT programs to begin a process of massive financial inclusion by mobilizing the savings of the programs' beneficiaries. Meetings were also held with the coordinators of the Renta Dignidad and the Juana Azurduy and Juancito Pinto voucher programs, as well as microfinance institutions (MFIs).

\* The complete document is available at the Capital Project: <[www.proyectocapital.org](http://www.proyectocapital.org)>.

## 2. ACTIVITIES IMPLEMENTED

Activities focused on evaluating the relevance and timeliness of taking advantage of CCT programs as institutional vehicles for beginning a process of massive financial inclusion. This phase included:

- Analysis of the various CCT programs, viewing them as institutional vehicles for beginning a process of financial inclusion.
- Joint assessment, with financial entities and the stakeholders involved in managing the programs, of the form, appropriateness and costs of current payment mechanisms used by the CCT programs.
- Analysis of current regulations to determine whether there are barriers to opening savings accounts for CCT payments.
- Assessment of the geographic coverage of CCT financial iç.

## 3. CCT PROGRAMS IN BOLIVIA

The general characteristics of each of the CCT programs are summarized in Table 1. As the table shows, two of the three CCT programs currently use the financial system for payment of the vouchers, although most recipients are not customers of the financial institutions. The possibility of making this a reality, of course, depends largely on financial coverage and, in the case of the Project, a regulatory framework conducive to financial inclusion through the opening of savings accounts, aspects that will be examined in the next section.

## 4. INCLUSION IN THE BANKING SYSTEM, SUPPLY OF FINANCIAL SERVICES AND THE REGULATORY FRAMEWORK

### 4.1 Analysis of inclusion in the banking system and financial coverage

ASFI carried out a study of the degree of inclusion in Bolivia's banking system as of 2009. The principal results were as follows:

- The degree of inclusion in the banking system is inadequate because of an excess of customer service points (CSPs) in some localities and a shortage in others (concentration).
- 78.5 percent of the customer service points (CSPs) are concentrated in La Paz, Santa Cruz and Cochabamba. Seventy-two percent of the population is also concentrated in these three regions.
- Related to the preceding point, there is a strong positive correlation (92 percent) between population size and the number of customer service points.
- Seventy-two percent of regulated institutions' CSPs are concentrated in urban areas, with the remaining 28 percent in the provinces. This proportion is similar for non-regulated entities.
- Financial depth (deposits/GDP) by region is greatest in La Paz (86.7 percent), followed by Santa Cruz (58.1 percent). The regions with the least financial depth are Pando (14.4 percent) y Tarija (13.7 percent).



Table 1  
Relevant characteristics of conditional cash transfer programs in Bolivia

INFORMATION	JUANA AZURDUY DE PADILLA	JUANCITO PINTO	RENDA DIGNIDAD
GOAL	(DS No. 0066) Ensure exercising of the fundamental rights to health and integral development enshrined in the Constitution, to decrease maternal and infant mortality and chronic malnutrition in children under age 2.	(DS No. 28899) Encourage children to stay in school by having families use money to buy school supplies.	(DS No. 29424 – Law No. 3791) Establish the Universal Old-Age Pension as part of the social security system for non-contributors. The Universal Old-Age Pension is a non-contributory benefit that the Bolivian government grants to all beneficiaries.
NO. OF BENEFICIARIES	2009: 340,021	2009: 1,804,800 – 60 percent urban, 40 percent rural.	2010: 832,000
SUBSIDY AMOUNT	Up to Bs. 1,820	Bs. 200	For people age 60 or over. Beneficiaries of Renta Dignidad with 100% (Bs. 200). Beneficiaries of Renta Dignidad with 75% (Bs. 150).
FREQUENCY OF PAYMENT	In 33 months.	Annually. Payments in 2009: 25 October, 30 November	Monthly
CONDITIONS	Prenatal health checkups (four bimonthly checkups, Bs. 50 each; birth; 10 days after birth Bs. 120). From day 1 until the child is 10 days old, the mother receives Bs. 320; from 10 days to two years, the child receives Bs. 1,500 (12 checkups). Pregnant women, children who are beneficiaries of short-term social security and pregnant women whose last child is less than 2 years old at time of registration are not eligible. Ministry of Health and Sport, regional health services, municipal governments, networks and Mobile Health Teams.	All students from first grades one through eight in public schools throughout the country.	Beneficiaries of the Renta Dignidad with 100% (Bs. 200): <ul style="list-style-type: none"> <li>- All Bolivians age 60 or over</li> <li>- Residing in the country</li> <li>- Who receive no social security pension or other income from the state.</li> <li>- Who receive no remuneration from the national Treasury.</li> <li>- Who are not subject to an administrative resolution suspending payment.</li> <li>- Who are registered in BDRD.</li> </ul> Beneficiaries of the Renta Dignidad with 75 percent (Bs. 150): <ul style="list-style-type: none"> <li>- All Bolivians age 60 or over.</li> <li>- Who reside in the country.</li> <li>- Who receive a social security pension or other income from the state.</li> <li>- Who receive no remuneration from the national Treasury.</li> <li>- Who are not subject to an administrative resolution suspending payment.</li> <li>- Who are registered in BDRD.</li> </ul>
FORMS OF PAYMENT	Urban areas: Banco Unión SA. Rural areas: Prodem. Remote areas: armed forces. An agreement was recently signed with the Síntesis company to process payments through the financial system.	Registered schools that are accredited for payments, and the armed forces. Ministry of Education: Educational Information System (Sistema de Información Educativa, SIE), Single Student Registry (Registro Único de Estudiantes, RUDE) and past payment records.	Authorized financial entities, authorized military installations, payment delivered to home.

Source: Compiled by author with information provided by CCT programs

- The coverage indicator, measured as the ratio of CSPs to population size, shows that there are 20 CSPs per 100,000 inhabitants. The level of coverage is significant compared to other countries in the region; for example, Chile has 33.8, Brazil 32.4, Argentina 24.9, Ecuador 15.6 and Peru 10.1. One notable statistic is that the regions with less financial depth have greater coverage; for example, Pando has 26 CSPs per 100,000 inhabitants, Tarija has 24, Santa Cruz has 24 and La Paz has 21, while those with the fewest are Potosí, with 12, and Oruro, with 15.
- Bolivia has 14,671 localities, of which only 0.8 percent (119) have financial services. Nonetheless, 62 percent of the Bolivian population lives in that small percentage of localities. Most of the localities that do not have finan-

cial services have small, scattered populations.

- An analysis of the 20 most dynamic localities in the country in terms of financial activity shows that the main means of reaching people are automatic teller machines and branches. Non-bank corresponding entities are still in an initial phase and are mainly urban.

While the degree of inclusion in the banking system for all localities in the country is considered low by that study, there is no denying the significance of coverage where 62 percent of the population has financial services in its own locality. This is mainly due to the development achieved by Private Financial Funds (PFFs) (MFIs), which has translated into rapid growth in their customer service points.

Table 2  
Financial service points nationwide, by type of financial institution

TYPE OF ENTITY	REGULAR OFFICE	MOBILE OFFICE	EXTERNAL BANK TELLER MACHINE	AUTOMATIC TELLER MACHINE	NON-BANK CORRESPONDING ENTITY	MAIN OFFICE	TEMPORARY OFFICE AT MARKET	BRANCH	WINDOW	TOTAL	%
Banks	446	1	145	979	41	13		66	48	1739	70.6%
Cooperatives	78		12	36	2	24		7	6	165	6.7%
PFFs	195		67	116		5	21	20	61	485	19.7%
Mutual associations	25		3	26		8		2	11	75	3.0%
Total	744	1	227	1157	43	50	21	95	126	2464	
%	30.2%	0.0%	9.2%	47.0%	1.7%	2.0%	0.9%	3.9%	5.1%	100.0%	100.0%

Source: Compiled by ASFI

Although there is still a long ways to go before all Bolivians have a nearby office that gives them access to financial services, the current level of coverage bodes well for implementation of the Project.

#### 4.2 Regulated financial entities with greatest coverage

The entities with the greatest coverage by number of localities served by a bank office (main office,

branch or agency), as Table 3 shows, are Prodem (64), Ecofuturo (40), and Banco Unión and Banco FIE (with 32 each). By number of offices, Prodem also ranks first, with 118 offices, followed by Banco FIE, with 108, and Ecofuturo, with 75.



Table 3  
Entities with greatest coverage, by localities and number of offices  
Information as of 30 March 2010

	NUMBER OF LOCALITIES	NUMBER OF OFFICES
PRODEM	64	118
Ecofuturo	40	75
Banco Unión	32	50
Banco FIE	32	108
Banco MSC	20	67
Banco Procredit	18	64
Banco Solidario	11	69

Source: Compiled by author with data from ASFI.

This analysis considers only offices as service points, because they are necessary for opening accounts and depositing cash, both of which are crucial for mobilizing savings. Nevertheless, good automatic teller coverage is also very necessary to provide the savings accounts with greater liquidity. Table 4 shows that the Banco Mercantil (BME) and Banco Nacional de Bolivia (BNB) have the largest number of automatic tellers; their coverage is urban, however, unlike that of Prodem (FPR), whose ATMs are mainly in rural areas.

Table 4  
Entities with most CSPs, by type of service point  
Information as of 30 March 2010

REGULAR OFFICE		MOBILE OFFICE		EXTERNAL BANK TELLER MACHINE		AUTOMATIC TELLER MACHINE		NON-BANK CORRESPONDING ENTITY		TEMPORARY OFFICE AT MARKET		BRANCH		WINDOW	
FPR	101	BLA	1	BSO	75	BME	244	BCR	36	FEF	18	FEF	9	PR	60
BIE	91	BSO	1	FPR	39	BNB	180	CSM	2	FPR	3	BLA	9	BIE	27
FEF	59			BME	18	BCR	171			BGA	1	BIS	8	MLP	10

Source: ASFI

The goal in the pilot phase would be to work preferentially with entities that have greater coverage by locality nationwide, as well as a greater number of customer service points. The first reason for using those criteria is to expand the range of localities that the Project can reach, and the second is that the selected entities are likely to have greater operational capacity for handling a large number of new clients.

Meetings were held with executives of four micro-finance institutions: Banco FIE, Banco Sol, Ecofuturo and Prodem<sup>1</sup>. The purpose of the meetings was to inform them about the Project and listen to their

opinions. All four expressed significant interest in participating in the Project. The representatives of Banco FIE S.A., in particular, stated that the institution would be able to adapt its savings products to the specific needs of the target group; there was discussion, for example, of the possibility of eliminating the minimum amount needed to open an account or the minimum balance requirement.

1. The people with whom meetings were held were: at Ecofuturo, Fernando Mompó, General Manager; at Prodem, Fernando Lema, National Business Manager, Hugo Gambarte, Assistant National Business Manager, and Jardiel Serrano, National Multi-Service Manager; at Banco Sol, Ángela Monroy, Product and Services Analyst; and at Banco FIE, Katya Collao, Chief of Corporate Responsibility.

Table 5  
Number of savings accounts and balances in MFIs  
As of 30 November 2010

	BANCO FIE	PRODEM	ECOFUTURO	BANCO SOL
Savings account balances (in thousands of Bs)	919,216	1,229,569	248,135	1,100,057
Number of savings accounts	358,137	636,912	130,553	386,019
Average balance per savings account (in Bs)	2,567	1,931	1,901	2,850
Percentage of savings accounts with balance of less than US\$500	90%	94%	93%	91%

Source: Compiled by author with data from ASFI

## 5. ADVANTAGES AND DISADVANTAGES OF CHANGING FROM CURRENT PAYMENT METHOD TO DEPOSIT IN A SAVINGS ACCOUNT

The following analysis of the advantages and disadvantages of changing from the current form of

payment to a system of payment by deposit in a savings account for each of the CCT programs is a result of the discussion and sharing of criteria within the team (ASFI and Proyecto Capital), based on information gathered about each of the programs.

### 5.1 Bono Juana Azurduy

ADVANTAGE	OBSERVATION/COMMENT
The annual amount paid is greater than that of the Bono Juancito Pinto but less than that of the Renta Dignidad.	The total amount paid is Bs1,820 over a period of 33 months.
The recipients are women, who, according to the literature, have a greater propensity for saving.	
The voucher has a high payment frequency and a duration of nearly three years.	A total of 17 payments are made in 33 months.
Because this is the newest program, it is possible to introduce new forms of payment from the beginning, especially for districts that will be added during the expansion phase.	
The program has a good relationship with the National Confederation of Indigenous Farm Women (Confederación Nacional de Mujeres Campesinas Indígenas "Bartolina Sisa"), which, according to the coordinator, could facilitate the dissemination of financial education.	
Payment through financial institutions has recently begun.	
It is possible to open savings accounts for children from birth.	
It is possible to reduce operating costs of payments.	
DISADVANTAGE	OBSERVATION/COMMENT
Because it is a new program, it has encountered various operational difficulties.	
The coordinator indicated that it would be better to meet the program's basic objectives before embarking on other projects.	
Because of needs associated with motherhood, the beneficiaries might have little ability to save.	
Because the time frame for payment of the voucher does not exceed three years, the beneficiaries are temporary, and a woman can become a beneficiary again only if she becomes pregnant again. This could reduce the program's attractiveness to financial entities.	Nevertheless, for entities interested in bringing low-income people into the banking system, this population segment is still attractive.
There are actually two beneficiaries, rather than one – the mother, during pregnancy, and then the child.	



## 5.2 Bono Juancito Pinto

ADVANTAGE	OBSERVATION/COMMENT
Payment by deposit in a savings account makes it easier to precisely determine the operating costs of payment and reduce them.	
Deposit in a savings account reduces operating risks to which the program is exposed, such as fraud, teller machine malfunction, theft, etc.	
The program is less susceptible to threats and coercion from fathers who demand payment to which they are not entitled; there have even been reports of the abduction of payers to pressure them to turn over the payment.	At the same time, it is noted that uniformed staff commands respect, and that it is difficult to deceive people when payments are disbursed.
More beneficiaries than other programs.	1,800,000 children receive the voucher payment.
DISADVANTAGE	OBSERVATION/COMMENT
There is the risk that the political message will not be clear enough when the payer changes.	
Payment is currently made through schools, rather than financial institutions.	
Financial coverage is limited.	To avoid an increase in transaction costs, it is advisable to choose localities that have financial services and a high population density.
Payment is annual, and the amount is low compared to those of other programs.	This could be a disincentive for financial institutions.
Requirements for opening savings accounts for minors could be an impediment to achieving the Project's objectives.	Regulations dictate that minors cannot be sole account holders; they require an adult's signature.

## 5.3 Renta Dignidad

ADVANTAGE	COMMENT
High probability of reducing operating costs per payment made, resulting from decrease in the number of entities participating in the payment process, compared with current system.	The current process involves the managing entity, the company Síntesis, and the financial institutions.
Greater payment security, because each financial institution takes responsibility for the payment.	
The savings account becomes an additional benefit for the recipients.	
More convenient for beneficiaries to collect payments.	
Decrease in documentation needed to collect payment.	
Reconciliation of payments with financial entities is much faster than reconciliation with EPIs.	
Savings accounts associated with a registry of biometric information minimize risk of withdrawal by person who is not entitled.	
Eliminates operating costs incurred by armed forces and, therefore, program operating costs for the government.	
Eliminates costs related to automatic teller malfunction, theft or other operational risks.	
This voucher has the highest payment frequency and highest monthly payment amount.	
Currently paid in financial entities using biometric information.	
Longest-running program.	
DISADVANTAGE	COMMENT
Higher rate of functional illiteracy among older adults.	
Older adults are more reluctant to accept change.	
Does not completely eliminate the possibility of fraud in financial institutions.	
Fewer points of payment in cities.	
Payment could not be made through common ATMs, because regulations require that payment must be made in person to the beneficiary only.	Fondo PRODEM has automatic tellers that recognize the account holder's fingerprint.

## 6. CONCLUSIONS AND RECOMMENDATIONS

The following conclusions can be drawn from this assessment:

- Financial coverage is still limited, but it is sufficient to undertake a pilot project like the one proposed in this paper and scale it up in the future.
- The most common means of payment for beneficiaries of both Renta Dignidad (81 percent) and the Bono Juana Azurduy (100 percent) is through financial institutions, which could make it easier to implement payment by deposit in a savings account. Part of the Renta Dignidad is paid through Information Provision Entities (Entidades Proveedoras de Información, EPIs) (16.5 percent) and the armed forces (2.5 percent).
- The Bono Juancito Pinto is entirely paid through the armed forces. Making payment through this channel make it difficult to precisely measure operating costs, because of a series of existing costs that are difficult to impute.
- For the Renta Dignidad, payment is Bs. 7.44 for transfers made through the financial system and Bs. 2.99 for transfers made through the armed forces of Information Provision Entities (EPIs). Although the Bono Juana Azurduy uses the same mechanism as the Renta Dignidad for payment through financial institutions (contracting the Síntesis company for data processing), it pays Bs. 2.85 per transfer.
- The estimated cost per payment for the Bono Juancito Pinto is approximately Bs 2.50. In cases in which the armed forces participate, there is no way to quantify the real cost of the transfer, because of the various expenses they assume.
- The MFIs with the greatest coverage in the country (Prodem FFP S.A., Banco FIE S.A. and Ecofuturo FFP S.A.) are extremely willing to participate in the Project and to offer specific savings products with more advantageous conditions for CCT beneficiaries.
- There are various benefits to linking CCT programs with a financial inclusion program that promotes the mobilization of savings; these include the possibility of reducing operating costs related to subsidy payments, providing CCT beneficiaries with a safe way to save, and the possibility of access to financial services such as transfers and micro-insurance, in the short term, and credit, in the medium term.
- Each CCT program has advantages and disadvantages for implementation of the Project. In the work team's opinion, the program that would best lend itself to implementation of the Project is the Bono Juana Azurduy, followed by Renta Dignidad and, last, Juancito Pinto.
- Among the advantages of promoting the Project with beneficiaries of the Bono Juana Azurduy are that women have a greater propensity for saving, payments are made more frequently than with the Bono Juancito Pinto, and payments are already made through the financial system.
- The main barriers in the case of the Renta Dignidad include the fact that payment is personal, which implies the existence of controls to ensure that only the beneficiary can collect the payment, making it difficult to make payments through ATMs that do not require biometric information, and the fact that it could be difficult for senior citizens to adapt to changes. In the case of the Bono Juancito Pinto, one problem is that it is impossible for



a savings account to be in a child's name and the infrequency of payments (once a year).

**Recommendations in light of these results:**

- Continue with the qualitative study to understand the different CCT beneficiary groups' perceptions about a change in the payment mechanism.
- Evaluate the results of this study to better determine the most relevant program with which to begin a pilot.
- Discuss the results of this study and the perception study with the various entities that would be directly or indirectly involved with

the Project (Ministry of Economy and Public Finance, Ministry of Development Planning, Ministry of Education, Ministry of Health, Pension Authority, etc.). ●

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