Myanmar

Financial Inclusion Roadmap 2019 - 2023

Beyond Access: Towards quality, effective and affordable financial services

ABOUT MAP MYANMAR 2018

The Financial Inclusion Roadmap has been prepared as part of the Making Access Possible (MAP) Myanmar Programme 2018.

The initial MAP Myanmar programme was rolled out in Myanmar in 2014 and included a MAP Diagnostic analysis that was based on the 2013 FinScope demand side survey. A Financial Inclusion Roadmap 2014 – 2020 was also developed as part of the process, and this has been partially implemented over the past three years during 2015 – 2018. Given the fast changing pace of Myanmar's financial markets, the limited life of demand-side data, and the need to finetune the focus of national financial inclusion activities, a 2018 MAP study was undertaken to update the financial inclusion priorities and to generate a revised Roadmap. The follow-up MAP Diagnostic was completed in November 2018.

The 2018 Myanmar MAP initiative was approved by the Financial Inclusion Inter-Ministerial Steering Committee (IMSC) in October 2017. The IMSC consists of members representing relevant government departments and agencies, Development Partners and the private sector. The key documents produced as part of the MAP 2018 include: (i) the FinScope 2018 Demand Side Survey; (ii) The Myanmar MAP Diagnostic Report, 2018; (iii) the MAP State and Region Financial Inclusion Report, 2018; and the (iv) MAP Myanmar financial Inclusion Gender Report, 2018. The MAP Diagnostic Report provides insights into the progress attained in financial inclusion nationally over the past five years, and suggests areas of focus going forward. This has thus provided a firm foundation for the preparation of this updated Roadmap.

The Roadmap 2019 – 2023 has undergone extensive stakeholder feedback since the original draft to ensure it reflects realistic priorities going forward, and has set forth a renewed vision and targets for the years ahead.

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Foreword

Myanmar's financial sector has expanded dramatically in recent years. Now for the first time, millions of households enjoy ready access to formal and affordable financial services which help improve livelihoods, safeguard incomes, efficiently transfer funds, and manage risks. Lives are being powerfully transformed and uplifted as hitherto unavailable capital unlocks the potential of Myanmar's entrepreneurial spirit and traditions.

Supporting this transformation was a proactive financial inclusion assessment that led to Myanmar's first Financial Inclusion Roadmap for 2014 to 2020. Since the original Roadmap was approved in 2015, Myanmar has made profound progress in expanding access to and use of formal financial services. In light of this expansion and innovation, as well as complementary regulatory reforms, a follow-on 2018 assessment found significant financial inclusion advancements, and a corresponding need to update the Roadmap strategy.

This updated Roadmap draws on the lessons from the previous process, outlining an ambitious and comprehensive strategy that prioritises important areas such as low income households, small and medium enterprises, savings mobilisation, financial and digital literacy, and the safe and responsible use of digital financial services. The Roadmap highlights the significance of utilizing financial technology and emphasizes a need to strengthen financial literacy across the nation. Financial education will enable expanded use of financial products in a responsible manner.

The Roadmap prioritizes important interventions including savings mobilisation initiatives. The critical importance of formal savings, to both households and national economic welfare, cannot be overstated. An active savings culture is key to a well-functioning economy and financial services industry. In this regard, we can and must do more to strengthen savings practices and measures.

The Roadmap is intentionally and strategically aligned with the inclusive and transformational economic aims of the Myanmar Sustainable Development Plan 2018 – 2030, as well as regional financial inclusion programmes within ASEAN.

I commend the extensive efforts of the Financial Inclusion Inter-Ministerial Steering Committee, and the leadership displayed by the Ministry of Planning, Finance and Industry and the Central Bank of Myanmar. Represented by government, regulators, state owned institutions, the private sector and development partners, the committee's continued guidance has shaped a common vision amongst key stakeholders and will help to frame future approaches to address financial inclusion in Myanmar. My gratitude extends to the users, practitioners, and supporters of Myanmar's financial service industry. The invaluable expertise and insights shared by all, have ultimately led to the success of this process.

With confidence, wisdom, and initiative, let us strengthen our collective efforts to move closer toward a society where everyone can responsibly and actively use financial services, not only for personal enrichment, but for the progression of the nation. With this vision, I put forth my endorsement of the Financial Inclusion Roadmap 2019 to 2023.

Daw Aung San Suu Kyi

State Counsellor

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To the Financial Inclusion Roadmap Secretariat the Financial Regulatory Department (FRD) led by U Zaw Naing - Director General and U Tun Zaw, Deputy Director General, as well as to the Central Bank Myanmar (CBM), Daw Than Than Swe, Director General.

Various public and private sector organisations that provided formal input, incuding the Central Bank of Myanmar, Ministry of Agriculture, Livestock and Irrigation, Ministry of Industry, Ministry of Commerce, Myanmar Economic Bank, Myanmar Agricultural Development Bank, Myanma Insurance, Myanmar Microfinance Association, Myanmar Insurance Association, Myanmar Bankers Association, and others.

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Abbreviations

AML	Anti-Money Laundering
ASEAN	Association of Southeast Asian Nations
ATM	Automatic Teller Machine
B2G	Business-to-Government
CAR	Capital Adequacy Ratio
CB	Cooperative Bank Ltd
CBM	Central Bank of Myanmar
CFT	Combating the Financing of Terrorism
CGI	Credit Guarantee Insurance
CSO	Central Statistical Organization
DFS	Digital Financial Services
e-KYC	Electronic (paperless) Know Your Customer authentication
FDI	Foreign Direct Investment
FIL	Financial Institutions Law
FRD	Financial Regulatory Department
FSDS	Financial Sector Development Strategy
FSP	Financial Service Provider
G2B	Government-to-business
G2P	Government-to-person
GDP	Gross Domestic Product
GOM	Government of Myanmar
IBRB	Insurance Business Regulatory Board
IMF	International Monetary Fund
IMSC	Inter-Ministerial Steering Committee
INGO	International Non Governmental Organisation
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt Fuer Wiederaufbau [German Development Cooperation]
KYC	Know Your Customer
M&E	Monitoring and Evaluation
MADB	Myanmar Agricultural Development Bank
MAP	Making Access Possible
MEB	Myanma Economic Bank
MFI	Micro Finance Institution
MFS	Mobile Financial Service/s
MI	Myanma Insurance
MICR	Magnetic Ink Character Recognition
MMFA	Myanmar Micro Finance Association
MMK	Myanmar Kyats
MMO	Mobile Money Operators
MNO	Mobile Network Operator
MOALI	Ministry of Agriculture Livestock & Irrigation
MOPFI	Ministry of Planning, Finance and Industry
MOU	Memorandum of Understanding
MPT	Myanmar Posts and Telecommunication
MPU	Myanmar Payment Union
MSDP	Myanmar Sustainable Development Plan
MSME	Micro, Small and Medium sized Enterprise
MTO	Money Transfer Operators
NBFI	Non-bank Financial Institutions
NLD	National League for Democracy
NPL	Non-Performing Loan

P2G	Person-to-government
POS	Point of Sale
QR Code	Quick Response Code
RTGS	Real Time Gross Settlement
SDG	Sustainable Development Goal
SECM	The Securities and Exchange Commission of Myanmar
SME	Small to Medium size Enterprises
SOB	State Owned Bank
TA	Technical Assistance
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNCDF	United Nations Capital Development Fund
USAID	United States Agency for International Development
USSD	Unstructured Supplementary Service Data
WC-FINC	ASEAN Working Committee on Financial Inclusion

Executive Summary

The Myanmar National Financial Inclusion Roadmap 2019 – 2023 outlines the goals and objectives to be pursued in Myanmar over the next five years, in order to ensure that the financial sector is inclusive in support of national policy objectives. Building on recent progress in the sector, the Roadmap seeks to ensure that stakeholders work together towards common objectives that will see the greatest number of individuals, particularly in the low income, small business and farming segments benefit from improvements in financial access. The Roadmap complements broader government policies, strategies and objectives aimed at achieving sustainable, broad-based economic and social development.

This Financial Inclusion Roadmap is based on the Myanmar MAP (Making Access Possible) Diagnostic 2018, a comprehensive diagnostic of the financial inclusion landscape as at early 2018. The 2018 diagnostic follows the original MAP exercise in Myanmar in 2013-14.

Since the 2014 MAP Diagnostic, there have been extensive political, social, economic and financial sector developments, and with them major achievements with respect to financial inclusion. The main objectives set out in the Myanmar Financial Inclusion Roadmap 2014 – 2020 have either been achieved or are on track to be achieved by 2020, the highlight being an increase in formal inclusion of adults from 30% to 48%, and the use of more than one type of product category from 6% to 17% of adults, against targets of 40% and 15% respectively (FinScope 2018). The financial sector has grown and diversified, and some institutions like commercial banks, microfinance institutions (MFIs) and cooperatives have expanded quite dramatically.[1] The latter two now serve similar numbers of clients in the rural sector as the once dominant MADB. Informal financial service providers while still important have declined in importance, and fewer people are dependent *solely* on informal service providers, indicating a broader range of providers to choose from.

The research, and subsequently this Roadmap attempt to outline how these dynamics will play out over the next five years, and thus the priority interventions that can continue to address the remaining and emerging gaps, as well as capitalise on the opportunities that have been identified. Towards this objective a new financial inclusion goal for the period 2019 – 2023 has been proposed as follows:

"Increase formal Financial Inclusion in Myanmar from 48% in 2018 to 60% by 2023, and adults with more than one product category from 17% to 25%, with a full range of affordable, quality and effective financial services (which comply to internationally recognized standards on responsible finance) by getting all stakeholders to work together in an integrated manner, to support job creation (especially by small enterprises), poverty alleviation and household resilience."

Five supporting objectives are also proposed[2]:

- Increase the percent of households with access to formal accounts[3] from 24% to 50% by 2023
- Increase formal financial inclusion for farmers to support agricultural activities and livelihoods from 52% to 60% by 2023
- Increase formal financial inclusion for self-employed individuals from 51% to 60% by 2023 to support economic growth and job creation

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[1] *Unless otherwise stated, data quoted in the Roadmap is sourced from Myanmar MAP Diagnostic 2018*

[2] *The source data for the quantitative objectives in the vision and supporting objectives are found in the MAP Diagnostic 2018 and FinScope 2018.*

[3] *Including all bank, MFI, mobile money, cooperative and other formal accounts.*

- Support growth in use of digital financial services (DFS), with percent of population actively using DFS from 4% in 2018 to 25% in 2023
- Access to formal financial services for women to be at par with men (baseline is 4% adverse difference compared to men in 2018)

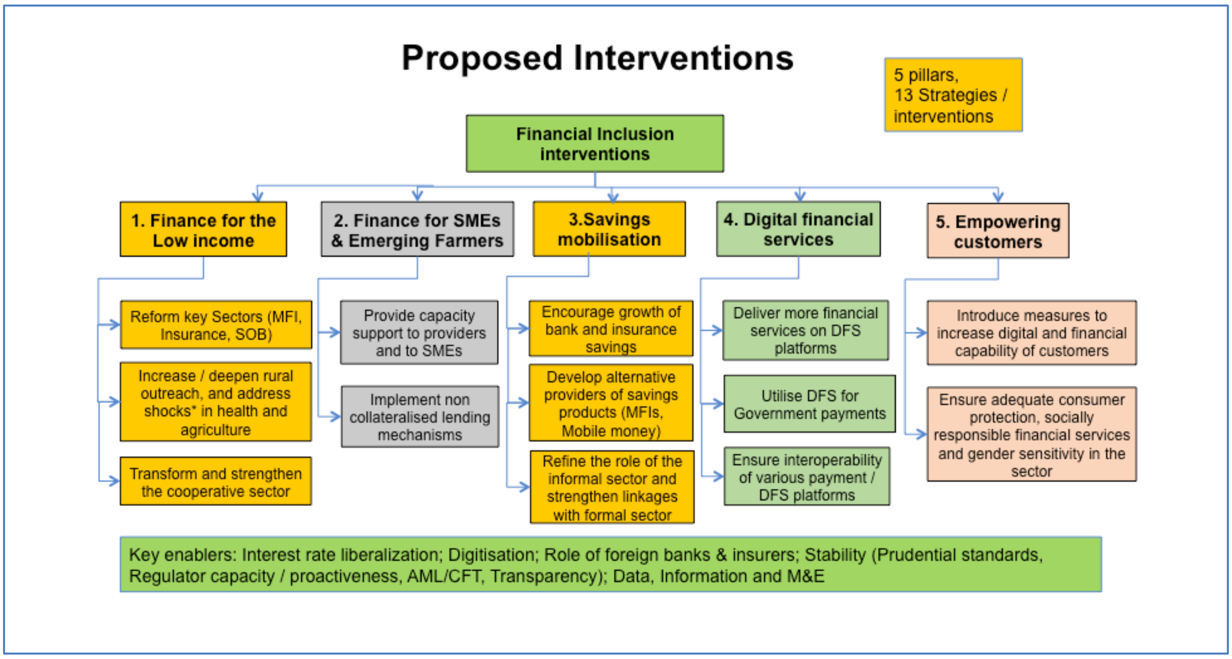
The proposed interventions to support these objectives in the new Roadmap 2019 – 2023 have been organised in five broad pillars that reflect broader policy objectives:

(i) Increased access to finance for the low income segment;
(ii) Increased access to finance for SMEs and Emerging farmers;
(iii) Savings mobilisation across all segments;
(iv) Exploiting the potential of DFS; and
(v) Ensuring that customers are protected and educated about financial services, and gender balance.

Access to finance for SMEs, Digital Financial Services, and customer education and protection all form important components within the Association of Southeast Asian Nations (ASEAN) and the national policy framework, where they are specifically prioritised[4], while savings mobilisation and access to finance for the low income segment are important national objectives given the need for growth and jobs, poverty alleviation and household resilience. Some recent surveys have also emphasised the promising opportunities provided by DFS, the low level of formal savings that needs to be addressed, and the currently low level of customer capability.[5]

The interventions are further summarised in Figure 1.

Figure 1: Summary of Roadmap 2019 - 2023 Interventions



Strategic Pillar 1: Low Income Segment

[4] *DFS and Customer capability comprise two of the four main desired outcomes under the ASEAN financial inclusion framework.*

[5] *The three recent surveys (presented to stakeholders in September 2018) include the FII survey by CGAP, and the World Bank Findex and Financial Capability surveys.*

Access to finance for the low income segment is useful to support household resilience and poverty alleviation, and is in line with the SDG theme to "leave no one behind". The proposed interventions in this area focus first on the *reform / liberalisation* of some key sectors relevant to the low income segment, i.e. SOBs (MADB in particular), MFIs (which will have particular benefits for women who comprise the vast majority of MFI clients) and the insurance sector, mirroring the reforms outlined under the Myanmar Sustainable Development Plan (MSDP). Second, *innovation* to help increase / deepen rural outreach and to address shocks experienced by all segments but particularly by the low income, the most important being related to agriculture and health. Lastly, transforming and strengthening the *role and governance of cooperatives* which have played a central role in extending financial inclusion in recent years.

Strategic Pillar 2: SMEs and Emerging (i.e. larger holder) Farmers
Increased access to finance for SMEs and larger farmers supports growth and job creation, which forms an important part of the broader agenda as earlier mentioned. The micro enterprises and small holder farmers are addressed under Pillar 1 and thus this intervention targets the larger enterprises and larger farmers, whose financial services needs can best be met by banks and other financial institutions focusing on the formal sector. Two focus areas are proposed: developing the *capacity of existing and alternative financial service providers, and SMEs,* with the necessary expertise, interest and skills, and secondly the expansion of *risk assessment mechanisms and alternative collateral lending* through improved credit information, expanded credit guarantee facilities, and a modern secured lending system. The Roadmap will facilitate new approaches to financing the un- and under-banked SMEs through the use of alternative financial methodologies like behavioral-based credit scoring and the various forms of crowdfunding.

Strategic Pillar 3: Savings Mobilisation
Increased savings mobilisation across all segments will first support household resilience, and secondly fund investments, job creation and national growth. The proposed measures focus on *encouraging more savings* in existing formal channels, i.e. banks and insurance companies, by making the experience more relevant especially with the introduction of more long-term savings options, and making it easier and more user-friendly; secondly by *expanding the range of providers* to include mobile financial service (MFS) providers and MFIs for wider reach especially in rural areas; and thirdly *relooking at the informal sector* to improve protection of customers and to strengthen links with the formal sector.

Strategic Pillar 4: Exploiting the Potential of Digital Financial Services
With a relatively small financial sector, Myanmar is in a position to leapfrog more traditional approaches to providing financial services. The very high uptake of smart phones and good overall coverage of the country by mobile network operators (MNOs) combine to create an unprecedented opportunity to prioritise digital financial services. As a first principle, it is vital to create an enabling environment and promote interoperability between all types of financial services providers and across all manner of payment transactions to support maximum uptake of digital payments, and to help generate data to support emerging fintech models including alternative lending. New products, like microinsurance, can be marketed digitally to lower-income market segments, while foreign and domestic remittances can be moved onto digital platforms which will have particular benefits for women who often are the ones who receive transfers from other income earners. For its part, the government can support DFS and fintech by prioritising digital channels for government payments, including social transfers, salaries, pensions, fee collections, and taxes. It is essential to prioritise digitisation of financial services as one of the key themes / drivers of financial inclusion.

Strategic Pillar 5: Customer Capability, Consumer Protection and Socially Responsible finance

Ensuring that customers are informed and protected will help build awareness, confidence and trust in the financial system, which is necessary to increase usage of financial services. Under this pillar are proposals to introduce appropriate *financial education programmes* in schools, to work with service providers to develop / widen digital and financial literacy interventions, and to develop a national financial literacy strategy – all of which will help consumers make informed choices regarding financial products and services. *Consumer protection* measures are focused on the consumer protection framework, grievance handling mechanisms, and encouragement of adoption of responsible finance principles. Measures to improve gender balance are also proposed.

The proposed interventions will result in an increase in breadth and depth of financial inclusion, in support of key policy documents, including the United Nations Sustainable Development Goals (Agenda 2030), the ASEAN Regional Integration Blueprint, the ASEAN Financial Inclusion Framework 2016, the Myanmar Sustainable Development Plan (MSDP) 2018 - 2030, and the Myanmar Financial Sector Development Strategy (FSDS) 2015 - 2020.

The Roadmap implementation structures - Secretariat and Technical Working Group - are already in place and it is proposed to retain and strengthen them further. In particular, measures to increase the capacity of government for coordination will need to be prioritised.

1. Introduction

The Myanmar National Financial Inclusion (FI) Roadmap 2019 - 2023, builds on the Financial Inclusion Roadmap, 2014 – 2020 which was implemented over a period of three years from 2015 to 2018. Since the MAP process was first conducted in 2014, Myanmar has made remarkable progress in expanding the opportunities for people to access and use financial services, and the targets set in 2015 have been achieved[6]. The Roadmap is a national public-private strategy whose purpose is to assist the government and other stakeholders to build a common vision of a desired future for financial inclusion based on the various recommendations and action points raised in the Myanmar MAP Diagnostic 2018.

The intention of this Roadmap is to advance the vision of the previous Roadmap, and in this respect it continues the focus of raising the level of access to formal financial services in the country. However, a second aim, no less important, is a greater focus on deepening usage and quality of financial services in the next phase of Myanmar's financial inclusion journey.

While the previous Roadmap was based on the MAP 2014 study, the new Roadmap is based on the MAP Diagnostic 2018. It is a new comprehensive study whose aim is to assess progress since the adoption of the original Roadmap, given the dynamism and rapid change in Myanmar since 2014. Besides tracking progress, the MAP Diagnostic also aims to update the Roadmap targets, objectives and action items.

In view of the national development agenda, the Roadmap is purposely aligned with the MSDP 2018 - 2030 that primarily aims to contribute to the genuine, inclusive and transformational economic growth of Myanmar. Similarly, the Roadmap also supports the FSDS 2015 - 2020, whose overall goal is that of creating a sound and sustainable foundation for the financial sector. Recognising the indispensable role that financial inclusion will play in facilitating the delivery of their respective goals, both policy documents have already outlined specific objectives related to financial inclusion, and the prioritized initiatives in this Roadmap are in strong synergy with those objectives.

The rationale for linking the thrust of this Roadmap to national development goals rests on the consensus that financial sector development makes two mutually reinforcing contributions to poverty reduction: through its impact on equitable economic growth and the derived benefits from using appropriate financial products and services with dignity.

1.1 Basis for the Financial Inclusion Roadmap 2019 - 2023

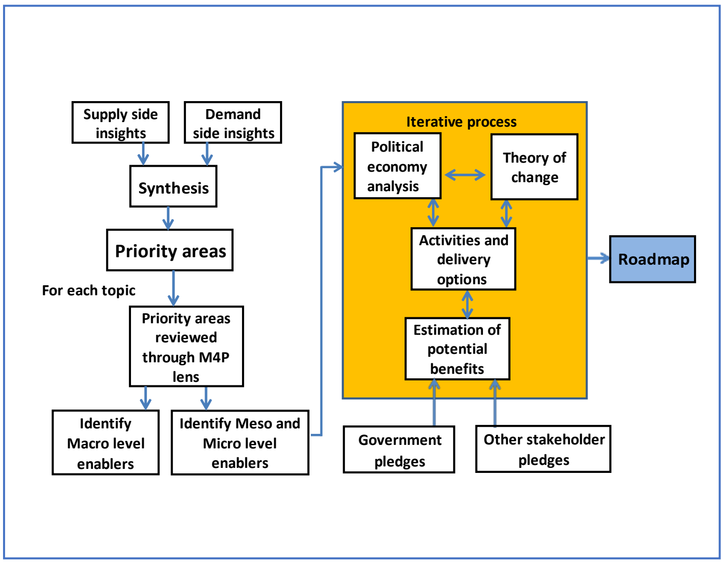
Financial inclusion is a means to an end – the end being improved household welfare and an impact on those activities that contribute to production and economic growth. Effective financial systems can fuel real economic impacts at the macroeconomic level by mobilising savings for investment purposes including capital allocation for business development, reducing transaction costs and increasing efficiency, thereby contributing to employment generation and growth. At the microeconomic or household level, financial inclusion can impact people's welfare directly by reducing their transaction costs, enabling them to more efficiently manage risks, allocating capital for

[6] The Roadmap 2014 -2020 included the objectives of increasing financial inclusion in Myanmar from 30% of the adult population in 2014 to 40% by 2020, and adults with more than one product from 6% to 15%.

productive use and supporting the accumulation of wealth over time. Financial services also facilitate access to core services, such as health or education. These benefits contribute directly to growth in the service sector, as well as indirectly by enhancing productivity. There are further benefits relevant to consumers in the informal context. The option of relevant, safe and affordable services in the formal sector, and improvements to the informal sector itself allow consumers to use financial services with dignity, reduced risk of fraud, and at more affordable prices (for example prices that moneylenders are able to charge has declined since 2014 due to expansion of affordable formal options).

Arising from a collaborative stakeholder review process, the Myanmar Financial Inclusion Roadmap 2019 – 2023 aims to guide and assist the government and stakeholders to identify and implement actions that best improve financial inclusion. MAP Myanmar has been rolled out under the guidance of the Financial Inclusion Inter- Ministerial Steering Committee (IMSC) chaired by His Excellency, the Deputy Minister for Planning and Finance (MOPFI). The Committee and its technical working groups include representatives from government, regulators, state owned institutions, the private sector and development partners.

Figure 2 Roadmap Approach



1.2 Roadmap Approach and Methodology

The Roadmap's approach is shown schematically in Figure 2. The Roadmap is founded on priority areas identified in the MAP Diagnostic[7], 2018, representing gaps and opportunities in the market which can have the largest positive impact on consumer welfare if appropriately addressed. Within the diagnostic report framework, each of the highlighted gaps and issues is analysed from the perspective of the user or potential user of the financial product or service, using the Making Markets Work for the Poor (M4P) approach. This approach identifies the stakeholders, structures, laws, regulations and customary relationships that underpin the product or service.

[7] *The description of MAP, including what sets it apart from other scoping exercises is contained in the MAP Diagnostic Report, 2018. MAP 2018 supply-side analysis was based on a range of stakeholder consultations conducted in 2018, qualitative surveys, and review of relevant documentation. Demand-side data was generated from the Myanmar FinScope consumer survey 2018, a nationally representative survey (using CAPI) of the adult population aged 18 years and older with a sample size of 5,500 adults in 296 townships, carried out during January - April 2018. The sample was drawn by the Department of Population (DoP), who also validated the weighting in conjunction with the Central Statistics Office (CSO).*

In order to provide a vision and direction, a policy goal (vision) is proposed towards which supportive intervention logic can be organised and monitored, indicating how the proposed interventions will contribute to the achievement of the goal and outcomes.

The final stage of the process is to build consensus from the key stakeholders for the interventions, and to place it in the format of a roadmap, including responsibilities and accountabilities and activities. Costs, timeframes and targets will be firmed up as part of the implementation phase.

2. The Myanmar Financial Sector Context – Changing Environment

2.1. Global and Regional Context

Financial inclusion as an enabler of the UN SDGs. Internationally, there have been some important milestones since the MAP research in 2014. Most notably, the Sustainable Development Goals (SDGs) were adopted as both targets and a framework for policy actions, in which financial inclusion plays an important role. Since 2015, the SDGs are increasingly influencing government and international development strategies, as is also evident in the Myanmar Sustainable Development Plan 2018-2030, which is largely aligned with the SDGs. The SDGs recognise financial inclusion as being core to a number of goals, including Goal 1: End poverty in all its forms everywhere; Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all; and Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Increasing recognition of financial inclusion. More broadly in the international development arena, financial inclusion is increasingly recognised. Many countries since 2014 have developed national financial inclusion goals and strategies, and global monitoring tools have emerged, such as the World Bank's Findex Survey and the IMF's Financial Access Survey. Important institutions such as the G20 (through the GPFI) have also similarly recognised the role of financial inclusion in poverty reduction.

Financial inclusion under the ASEAN Regional Integration Framework. The ASEAN Economic Community (AEC) Blueprint 2025, "ASEAN 2025: Forging Ahead Together", was adopted by the ASEAN Leaders at the 27th ASEAN Summit in 2015 in Kuala Lumpur, Malaysia. The blueprint provides broad directions for building the ASEAN Community over the next ten years, and comprises three pillars, with financial inclusion being under Pillar 2 (ASEAN Economic Community):

- The Blueprint in its objective for a highly integrated and cohesive ASEAN economy outlines that "ensuring that the financial sector is inclusive and stable remains a key goal of regional economic integration". Strategic measures in this area include promoting financial access for underserved communities, such as MSMEs, addressing the uneven digital gap, and the establishment of credit bureaus and credit guarantee institutions to facilitate MSME access to credit. It also highlights financial education and consumer protection to encourage take up of financial services, and digital payment services to promote cost-reducing technologies.
- Additionally in promoting a Resilient, Inclusive, People-Oriented and People-Centered ASEAN, the need to enhance access to finance by MSMEs through strengthening traditional and alternative financing infrastructure is mentioned; as well as financial literacy for MSMEs.

The ASEAN Strategic Action Plan for SME Development 2016-2025 (which has been developed in the context of the Regional Integration Framework) emphasises development of institutional frameworks for access to finance by SMEs, and the financial inclusion and literacy of SMEs.

Regional Financial Inclusion Framework. Financial inclusion has become an important agenda at ASEAN in support of Equitable Economic Development, and in 2016 the ASEAN Working Committee on financial inclusion (WC-FINC) adopted the ASEAN Financial Inclusion Framework. The Framework has the stated aim of advancing financial inclusion in the region, with two quantitative targets, namely the reduction of average financial exclusion in ASEAN region from 44% to 30%, and an enhanced readiness of financial inclusion infrastructure from 70% to 85%.[8] The Framework encompasses four main objectives: (i) supporting national financial inclusion strategies and implementation plans; (ii) elevating capacity building of ASEAN member states to enhance the financial inclusion ecosystem; (iii) promoting innovative financial inclusion via digital platforms; and (iv) increasing awareness on financial inclusion and consumer protection. A strategy guidance note has been issued for member countries developing national financial inclusion strategies and Roadmaps (ASEAN 2018), and this Roadmap is in compliance thereof.

2.2. National Political, Economic and Social Context

Economic reforms in progress. Significant political and economic reforms, ongoing since 2011 and continuing under the new government following the 2015 general election, is contributing to the financial sector's steady advancement toward globally accepted standards.

Low savings and investments. Myanmar's domestic savings rate is very low, at 18% of GDP over 2013-17.[9] Increasing the rate of domestic savings, in a form that can be intermediated through to investment, is therefore an economic priority. Similarly, the ratio of bank credit to private sector to GDP, at 20% of GDP, remains low by regional standards. Historically, the majority of bank credit flowed to government, but this has changed and the banking system now lends more to firms and households than to government.

Some reduction in the dominant role of agriculture. The economy has traditionally been dominated by agriculture, however its contribution to gross domestic product (GDP) has been falling, and agriculture now accounts for 27% of GDP. Approximately half of all adults are involved in farming activities, and around one quarter derive their main income from agriculture (FinScope 2018).

High levels of informality. Myanmar's economy is highly informal, and Myanmar was ranked by Schneider (2010: 20) as 82nd out of 88 countries in terms of formalisation of the economy.

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[8] *The financial inclusion level is measured by ownership of any account (e.g. savings, current, transactional, financing, e-money, mobile money) at financial institutions, using FINDEX or national data, whichever is agreed at the national level. The 44% baseline is based on the WC-FINC survey conducted in 2016. Readiness of financial inclusion infrastructure is defined as availability of the following eight areas: (i) Public credit registry; (ii) Credit guarantee institution; (iii) Specific institution to support financial inclusion mandate, e.g. DFIs and MFIs; (iv) Debt resolution mechanism/avenue for advisory and redress; (v) National financial inclusion strategy/ blueprint; (vi) Law to support financial inclusion; (vii) Regulations and platforms for digital financial services; and (viii) Financial inclusion monitoring framework. Source: ASEAN financial integration monitoring report 2017, ASEAN Integration Monitoring Directorate, The ASEAN Secretariat, 2017.*

[9] *Including both financial savings as well as savings in kind/real assets.*

Population predominantly rural (around 65%) with steady urbanisation. According to the World Bank[10], urban population growth is around 2.5% a year while the rural population is almost stagnant.

Limited infrastructure remains a major hurdle. Myanmar is one of the most underdeveloped countries in Asia in terms of infrastructure (World Bank 2017).

Cellphone usage has expanded rapidly. The number of mobile phone subscriptions increased from 6.8 million in 2013 to 50.6 million in 2016 (ITU). According to the FinScope survey, the percentage of adults who own a cellphone rose from 23% in 2013 to 78% in 2018.

Severe flooding. Myanmar is one of 15 countries where 80% of the world's population exposed to severe flooding is located (Brakenridge et al. 2017: 81).

2.3. National Policy Context

Emergence of new policy documents. While the 2014 MAP study was developed to support the government's 2011 Poverty Reduction Strategy, new national policies and strategies have since then been put in place and now form the backdrop and anchor to the current Financial Inclusion Roadmap. These documents individually and collectively underline the strong commitment of government to poverty alleviation and job creation as a policy objective, and reinforce the important role that financial inclusion is expected to play in the achievement of those objectives.

The 12-point Economic Policy was launched in July 2016 and outlines an overall framework that guides Myanmar's economic and social development. Point no. 8 specifically plans to achieve financial stability through a financial system that can support the sustainable long-term development of households, farmers and business. Points 5 and 6 focus on MSMEs and agricultural development. The government also intends to further liberalise the financial sector and enhance access to financial services.

The Myanmar Sustainable Development Plan (MSDP) 2018 – 2030. Structured around three Pillars, five Goals, 28 Strategies and 251 Action Plans, the MSDP provides an integrated set of strategic goals, strategies and action plans to be pursued by the government over the medium to long term, which will contribute to genuine, inclusive and transformational economic growth.

The Financial Inclusion Roadmap 2019 – 2023 will support the implementation of relevant targets, particularly:

- Strategy 3.5 which aims to "Increase broad-based access to financial services and strengthen the financial system overall" (See Box 1),
- Strategy 2.1.7 "Allow authorised foreign banks to provide both kyat and foreign currency loans to domestic borrowers and engage in interbank lending with local institutions", and
- Strategy 4.5.3 "Provide improved cross-border financial services for migrant workers".

Financial inclusion will also broadly support Strategy 3.1 (agricultural development and poverty reduction in rural areas), Strategy 3.2 (developing small and medium sized enterprises), and Strategies 4.1 – 4.5 (education, universal health care, social protection services, food security and harnessing productivity).

[10] *World Bank, World Development Indicators Database 2018*

Box 1: Key action items under MSDP Strategy 3.5

Strategy 3.5 falls under Goal 3 (Job creation and private sector-led growth) of Pillar 2 (Prosperity & Partnership) and has the following subset of relevant objectives:

- Strengthen the capacity of domestic financial institutions.
- Strengthen and expand support to Non-Bank Financial Institutions (NBFIs).
- Expand the scope of mobile and fintech services, including through both domestic and foreign financial actors.
- Continue liberalisation of the banking sector including through plans and regulations for the Financial Institutions Law (FIL) and Foreign Exchange Management Law (FEML).
- Promote more inclusive access to finance by developing a comprehensive microfinance sector strategy with clear regulatory arrangements, including a tiered system that serves different objectives and is cognizant of barriers faced by women and ethnic groups.
- Increase ability of foreign banks to participate in domestic banking activities, including through continued liberalisation of market access and allowing foreign banks to take equity positions in domestic banks.
- Restructure State Owned Banks to ensure stability of the financial system, reduce fiscal risk and ensure a level playing field for all financial institutions.
- Improve the legal and financial infrastructure required to enhance greater and more inclusive access to finance.
- Strengthen and further liberalise the insurance sector.

The Financial Sector Development Strategy (FSDS) 2015-2020 was developed in 2015 and its overall goal is to create a sound and sustainable foundation for the financial sector. It comprises four strategic objectives under each of which there are specific components relating to financial inclusion, namely: (i) *Financial sector stability*, under which is mentioned the implementation and improvement of legal infrastructure for insurance, microinsurance, microfinance, credit information, consumer protection, deposit insurance and payments; (ii) *Financial sector efficiency*, which includes payment system reforms, interoperability of various payments sub systems, and reform of SOBs; (iii) *Financial sector depth*, including development of new bank products and development of the insurance sector; and (iv) *Expanding access*, which is focused on financial inclusion and includes the following sub areas:

- Improved supervision of microfinance activities
- Development of mobile money
- Enhanced access to finance for SMEs
- Operationalising the Credit Bureau
- Addressing the collateral regime (secured transactions, movable collateral)
- Development of agriculture finance; and
- Consumer protection framework and financial literacy

The MOALI Myanmar Agriculture Development Strategy and Investment Plan 2018 – 2022. This national strategy released by the Ministry of Agriculture and Livestock in 2018 places significant importance on financial inclusion, particularly in regard to Outcome 3.8 (Financial Services). The Roadmap is in strong synergy with the strategy not only in supporting its broader objectives of further developing the sector through mechanisation, resilience and trade facilitation, but also in regard to its specific proposals to improving access to a range of financial services for farmers and agribusinesses through 11 specific outputs:

- Agri finance policy that encourages needed financial services to rural communities;
- Support development of regulations for the Financial Institutions Law, especially in regard to flexible collateral; longer loan terms; and interest rate flexibility;
- Revise the Law on Microfinance, plus regulatory reforms for expanding MFI funding through expanded deposit taking and more flexible borrowing from domestic and foreign sources, interest rate liberalization, and expanding the range of financial services provided by MFIs;
- Regulations to allow growth in e-money and e-banking;
- Improved creditworthiness information systems;
- Reform and sustainability of MADB;
- Engage with MADB to offer longer term loans and loans beyond seasonal credit for specific crops;
- Provide training in financial management for farmers;
- On-going capitalisation of the MADB and MOALI budget;
- Microfinance for cooperative services using finance from Korea Banks; and
- Explore options for agricultural insurance.

The Myanmar Indicative Private Sector Development Framework and Action Plan 2016 focuses on five main areas for Myanmar's economic transformation: improving the Legal and Regulatory Environment, Access to Finance, Trade and Investment, Restructuring the State's Role in Business Enterprise & Service Delivery and Human Capital. The access to finance pillar highlights the need for improved transparency in the financial performance and condition of financial institutions and in the development of policies and regulations. It also shows the need for a strong well- capitalised microfinance industry and a robust set of competing commercial banks, restructure of the SOBs, and continuing legal and regulatory reform to enable FIs to manage and price risk, secure creditor rights, leverage technology, and finance sustainable growth. The intervention is coordinated by the Private Sector Development Committee which is chaired by the Union Vice President (No. 1).

Small and Medium Enterprise Development Policy 2015. Among challenges facing the SME sector in Myanmar, access to finance is identified as a major obstacle, and the following strategies proposed: Microfinance; credit guarantee scheme; hire purchase; two-step loan; trade credit; and connecting entrepreneurs to investors.

The Myanmar Digital Economy Roadmap 2018. Launched by the Digital Economy Development Committee (established in 2017 and chaired by the Union Minister, MOPFI), the Digital Economy Roadmap outlines a number of measures to digitise government as well as trade and innovation. The most relevant include the development of a digital trade / e-commerce policy, promotion of e-government, promotion of digital signature as being equal to physical signature, encouraging people to use DFS, digital literacy, digital innovation, digital payment systems, and incentives for SMEs to use digital technology.

Development Assistance Coordination Unit (DACU). The Development Assistance Coordination Unit (DACU) was established in 2016 with responsibility for ensuring that development assistance to Myanmar is efficient, effective, coordinated, and nationally owned. A Development Assistance Policy was implemented in 2018 by DACU to ensure coordinated mobilisation of development finance.

Coordination of Financial Sector Technical Assistance to Myanmar (COFTAM): Established in 2014, COFTAM coordinates developments in the financial sector and has eight sub-sector working groups, including one specifically for financial inclusion that coordinates with the Financial Inclusion Secretariat to avoid duplication.

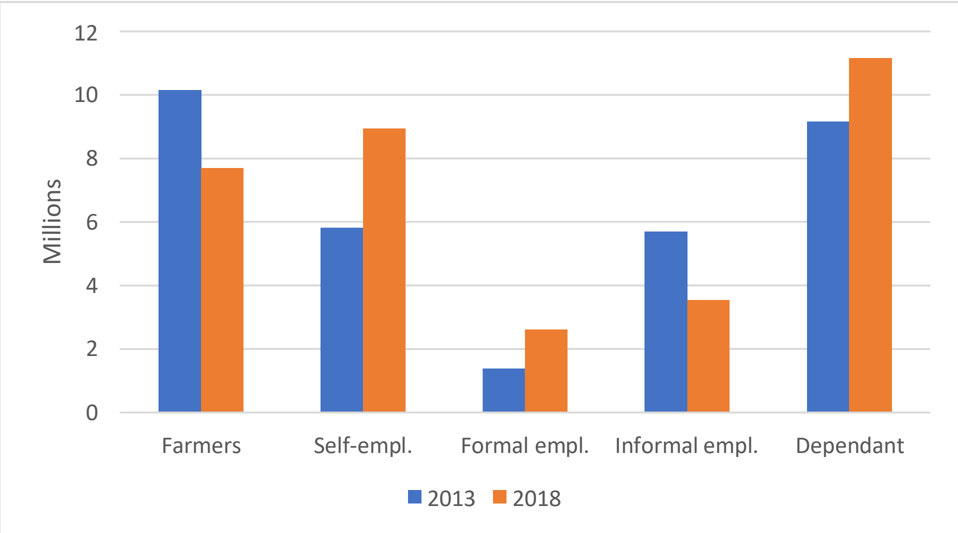
Cooperation Partners Group (CPG): Launched in 2016, this is the main coordination mechanism for international development partners with a mandate to enhance effective development cooperation.

2.4. Changes in the Target Market Demographics

The 2014 MAP Diagnostic identified unique segments of the adult population in Myanmar using the Target Market / Group approach, which classifies adults by their primary source of income. The target groups are as follows: farmers; formal employees; informal employees; self-employed (traders / MSMEs); and dependents.

The Target Groups have changed considerably since 2013[11]. These changes are largely consistent with broader trends observed in Myanmar: the formally employed segment almost doubled in size (although still just 8% of the population); the self-employed increased by more than 50%, while the farmer segment decreased by almost a quarter. Informal workers also decreased by almost 40%. Women generally and educated adults are effectively leaving the less consistent sources of income, and pursuing their own business or getting formal work.

Figure 3: Size of Target Groups, 2013 & 2018



Source: FinScope, 2013, 2018

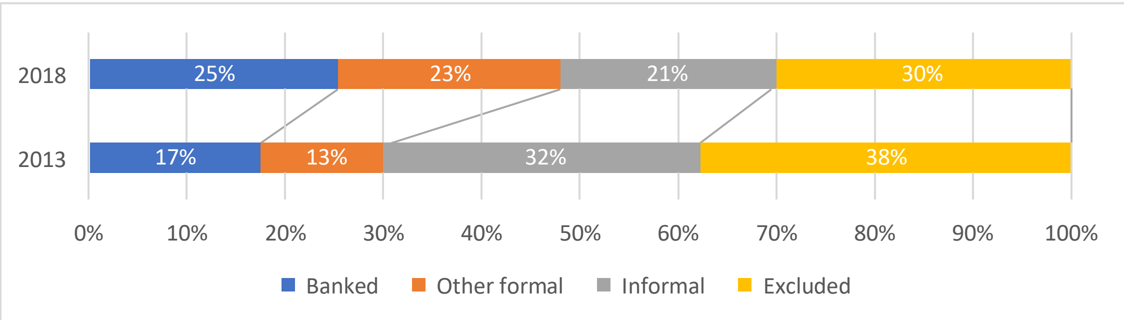
[11] *The 2014 MAP Diagnostic used slightly different Target Group definitions, and they have been recalculated based on current definitions for comparability.*

3. Financial Inclusion Landscape: What has Changed

3.1. Customer (Demand-Side) Perspectives

The demand side survey results indicate broad progress. The results of the FinScope survey indicate an increased take up of financial services, both in terms of the proportion of the population using financial services (financial access), as well as the combination of financial services types used (financial depth). Formal access (through banks and other regulated financial institutions such as MFIs and cooperatives) has increased from 30% to 48% of the adult population (Figure 4), ahead of the 40% target set in the Financial Inclusion Roadmap 2014 - 2020. Overall inclusion, including the use of informal financial services, has increased from 62% of adults to 70%. Similarly, financial depth increased dramatically.[12] In 2013, only 6% of adults used more than one financial product category from a regulated institution, but by 2018 this had risen to 17% reflecting an increase in the number of formal service types used per customer.

Figure 4: Financial Access Strand, 2013 & 2018



Source: FinScope 2013, 2018

Non-bank sector has seen faster growth. Both the access to bank and non-bank financial services has grown. However, the bank growth has been much less than that of non-bank financial institutions. The latter has doubled from 17% to 34% of adults, driven mainly by credit from MFIs and cooperatives.

Informal financial services remain very important for Myanmar adults. The informal sector continues to play an important role in complementing the formal sector**.** Around 50% of adults use some form of informal financial services: 28% of adults use both formal and informal financial services and 21% used only informal[13], compared to 18% and 32% respectively in 2013.

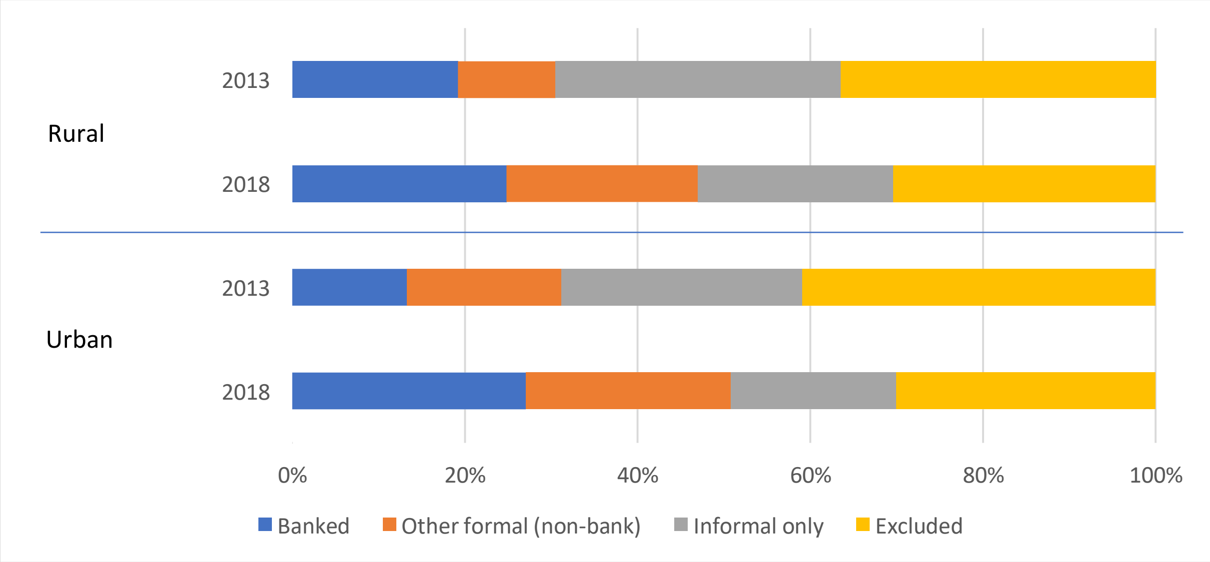
Access increased across urban and rural areas from 2013 to 2018. Formal access rose sharply in both urban and rural areas (Figure 5). However, in urban areas this was mostly driven by improved

[12] *Breadth of usage refers to the level of financial inclusion, i.e. measured by the proportion of adults who have access to at least one formal product. Depth of access refers to the use of multiple product categories, such as savings, insurance, payment and credit, from regulated (formal) financial institutions.*

[13] *In other words, 58% of those that are formally financially included also use informal mechanisms to manage their financial needs*

access to banking (private commercial banks), while in rural areas it was mainly driven by improved access to MFIs and cooperatives (other formal).

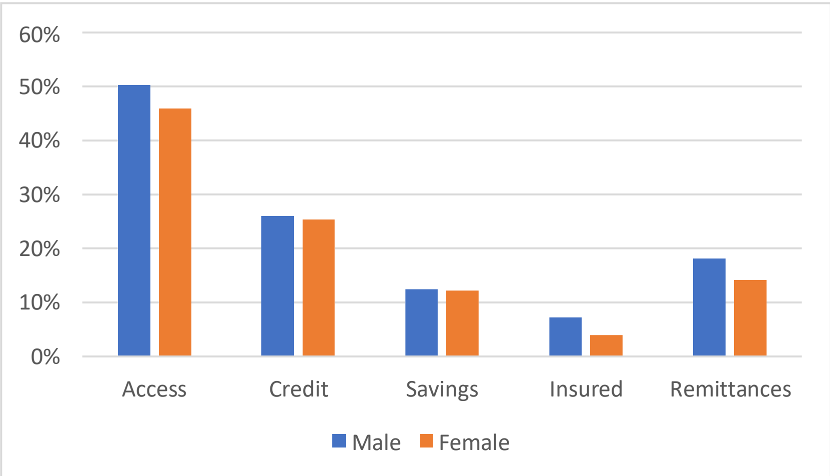
Figure 5: Access Strands by Location – 2013 & 2018



Source: FinScope 2013 & 2018

Women slightly less included, but inclusion growing faster than men. Overall, men have a slightly higher rate of formal financial inclusion, while women are more reliant on informal channels. In addition, men are more likely to be insured and make formal remittances (Figure 6). However, the improvements in formal financial access between 2013 and 2018 have benefitted women slightly more (11% reduction in formal exclusion) than men (9% reduction). The most striking contrast is that men have greater access to banking – both savings and credit – whilst women have experienced an increase in access to non-bank formal providers, mostly MFIs in part, because of a specific focus on providing services to women by some MFIs.

Figure 6: Usage of Formal Products by Gender



Source: FinScope 2018

Higher focus on two target segments. Farmers and MSME[14] are the most critical segments in view of existing policy objectives with agriculture providing national food security and livelihoods for about half of all adults, and MSMEs providing potential for growth and job creation.

Latent need for credit for self-employed individuals. The self-employed have relatively low usage of credit, and given that they are all engaged in business activities of various kinds, there is likely to be a latent need for credit for productive equipment, business inputs, stocks, debtor financing etc. Their business transactions are cash-dominated, and extending the reach of electronic transactions through mobile money, QR codes and other forms of DFS would help to reduce the risks and costs of cash, as well as potentially building up transaction records potentially useful to unlock credit.

Farmers are relatively high users of credit, given their access to MADB loans for farming inputs. Provision of more credit has to be targeted on increasing productive capacity and incomes, and at affordable rates, to avoid over-indebtedness. However, there may be merit in replacing (high cost) informal credit with credit from formal providers (and both MFIs and cooperatives will require technical support to design products that meet the needs of the farmers, along with their credit underwriting capacity). Farmers could also benefit through more efficient payments infrastructure to reduce the cost of financial transactions, more savings options through formal channels which may help to raise savings rates and returns, and mechanisms to address the potentially large impact of crop failure and health needs.

The demand side analysis highlights some key priorities from a consumer perspective. Myanmar is at the cusp of attaining a formal inclusion rate of 50%, where depth (use of multiple financial products and services) is likely to start to accelerate.[15] Such depth of usage will be driven by further expanding formal options that enable people greater choice over informal options, and improving the quality and relevance of available products. Moreover, measures extending the use of commercial bank products to a broader base, and efforts to convert the widespread awareness of mobile money products to usage will facilitate formal demand side take-up.

3.2. Supply Side

Transformation of the banking sector. Myanmar's formal banking sector comprises four state-owned banks, 27 private commercial banks and 13 foreign bank branches. With the dominant rise of the private banks since 2014, the share of SOBs dropped significantly. Private banks, however, still concentrate on larger and more formal clients. SOBs, while still important, lag in terms of reform and modernisation. The GOM, therefore, is considering restructuring options to strengthen services and competitive posture. The CBM's recent decision to allow foreign banks to extend retail services to the local market is expected to increase credit supply and raise service standards.

Improvements in banking infrastructure. During the period 2013 to 2018, there were significant investments in infrastructure, technology, systems and human resources. The number of private bank branches also increased rapidly, from 577 to 1715[16] (although focused largely on urban areas).

[14] The FinScope survey collects information from individuals in their own capacities, and thus focuses on the self-employed rather than the enterprises themselves.

[15] The MAP Global Insights Series 1 (Note 2), UNCDF, 2015

[16] CBM database, 2018

MADB and MEB had a total of 513 branches in 2018. The number of ATMs increased from 253 in 2013 to 3,123 in 2018, and the number of POS devices increased from 855 to 14,015. However the density of infrastructure is still low in comparison to other ASEAN countries (Figure 7 and Figure 8).

Figure 7: ASEAN: Commercial bank branches per 100,000 adults (2017)

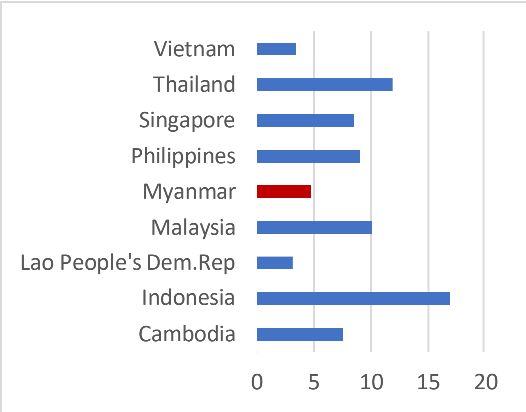
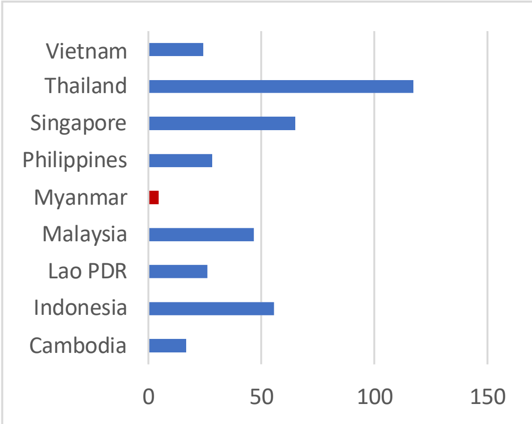


Figure 8: ASEAN: ATMs per 100,000 adults (2017)



Source: IMF Financial Access Survey, 2018

Growth in MFI sector. Despite a fall in the number of MFIs from 189 in 2014 to 176 in 2018 (some MFIs and cooperatives released their licenses), the sector has grown in size when measured by assets and lending. The number of active loan accounts has increased steadily, from 950,000 to over 3 million. MFIs have played a significant role in increasing access to finance, and have made it possible for entrepreneurs and farmers to access formal financial services, thus reducing dependency on expensive informal financial sources. The Myanmar Microfinance Association (MMFA) is in the process of launching a credit information sharing platform to share client credit information between MFIs, to address the need for more credit information.

Lack of funding is still a key challenge for MFIs*:* Limited capital for on-lending is still a major constraint for the MFI sector. Private banks have adopted a risk averse position on MFI lending but this is changing as several private banks have commenced with MFI loans. There is a need to streamline approval processes for funding as well as to open new sources of funding. Additionally, a three-tier system of ranking MFIs based on their size, performance, and governance would enable regulators to better allocate supervisory resources and qualify MFIs for particular services, such as broadened deposit-taking.

Growth in cooperatives. The cooperative sector has grown significantly, however a depreciating exchange rate in respect of the repayment of foreign loans and a need for funding diversification beyond a 2013/14 China EXIM bank loan of USD 400 million are some key challenges. Recently the Ministry of Agriculture, Livestock and Irrigation announced that MMK 550 billion[17] (USD 360 million) will be provided to the Central Cooperative Association.

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[17] *Myanmar Times, Cooperatives set to receive MMK 550 billion in funds, accessed January 2019 at https://www.mmtimes.com/news/cooperatives-set-receive-k550-billion-funds.html.*

Other challenges facing the sector include the short duration of the standard six-month loans, little focus on client needs due to lack of capacity at the ground level, and minimal regulatory requirements (limited to annual auditing) under which cooperatives are operating, which makes it vulnerable to systemic risk and financial fraud. The cooperative network in Myanmar is uniquely top-down and credit disbursement focused, and has potential to transform in line with experiences elsewhere.

Mobile money providers still in the early days. Mobile money providers can operate under the Mobile Banking License where companies partner licensed banks, or under a Mobile Financial Service License (MFS) where non-banking institutions provide mobile financial services. Rapidly increasing mobile penetration rates open up new opportunities, as does the growing mobile money agent network.[18] Key challenges in the sector include the lack of interoperability between the various Mobile Money Operators (MMOs) and financial service providers, and low digital financial literacy for consumers.

Myanmar Payment Union. The MPU operates the national payments switch and is in the process of upgrading its switching technology, where many more digital payment products will be made available.

Real Time Gross Settlement (RTGS) system: In 2016 CBM implemented the RTGS system (popularly known as CBM-NET), which replaced the manual system of clearing and settling payments between banks. A forthcoming Phase II of CBM-NET includes connecting the core banking systems of banks so as to facilitate more digital interbank functions as well as real time settlement of interbank obligations.

Private sector has driven insurance growth. State-owned Myanma Insurance enjoyed monopoly until 2013 when 12 new domestic insurer licenses were issued. Penetration (as measured by the ratio of premium income to GDP) has more than doubled from 0.06% to 0.15%, driven by the private sector. However, this is still low by regional standards. Going forward, a new Insurance Act is being drafted and is anticipated to liberalise the sector. A recent announcement to allow foreign insurance companies to serve the domestic market is expected to boost uptake, however it is also important that the Insurance Business Regulatory Board (IBRB) allow private domestic companies to offer more products.

Informal provider landscape dominated by moneylenders and Village Savings Groups (Su Mae). Informal moneylenders, pawnshops and hundis have been an important source of services in rural areas in terms of numbers of clients; however, the number of adults using them has dropped. Village Saving Groups (popularly known as Su Mae) in contrast have grown, with 1.1 million adults currently using them, around 65% of them women.

Products and innovation for health and agriculture shocks. Although since 2014 the situation has improved in terms of product innovation, there are still significant gaps in the overall product range, product design, pricing and delivery of products. One of the key areas that needs to be addressed urgently is the unexpected shocks customers face, the most common being in health and agriculture. There are, as of yet, no appropriate products to deal with these risks, and customers resort to other

[18] *Stakeholder interviews indicate Wave Money (launched in 2016) has 21,000 agents while M-Pitesan - which went live in 2017 - has approximately 9,000 agents*

products such as credit or using their savings to deal with the shocks. More innovation is needed in this area[19].

Agriculture credit. Insufficient loan sizes remain a persistent challenge for farmers as does the timing for disbursement and repayment (loans from MADB and MFIs are usually due immediately after harvest when the prices are at the lowest). As at 2017/18 the total portfolio of agricultural loans is still very limited, mainly MFIs MMK 244.69 billion, MADB MMK 1.9 trillion, and cooperatives MMK 529 billion (MAP Diagnostic 2018). Positive progress includes new two-step loan facilities that have been established for farm mechanisation, and a few private banks providing specilialised agricultural credit.

Business loans. There is still a lack of credit products that cater to the needs of SMEs. International support (e.g. IFC, JICA and KfW) to stimulate SME lending initiatives is encouraging and hopefully will lead to mainstream products in the forthcoming years. Loan terms are still very short (so longer-term credit needs are not well satisfied), although for example CBM has removed home loan term limits[20].

Saving products: The range of savings products offered by bank and non-bank financial service providers is still very limited but with signs of products emerging for specialised purposes (e.g. education, wealth creation).

Insurance products. The range of products from insurance companies remains limited, largely due to a regulatory framework that allows private insurers to offer only a limited range of insurance products.

Remittance products*:* Previously dominated by banks, the entry of MMOs is changing the landscape of domestic remittances. Recently with the implementation of the CBM-NET and a mechanised clearing house, it is now possible to conduct inter-bank account to account transfers.

3.3. Legal & Regulatory

Regulatory reform. Recent reforms have helped to move the regulatory framework towards alignment with international standards and improve the trust of the public towards the sector. The extent and effective implementation of these reforms, however, remains a challenge.

Five key regulators. The *Central Bank* is responsible for regulation of private banks, foreign bank branches and non-bank financial institutions, such as MFS Providers, credit bureau, and Lease and Finance companies. The *MOPFI and FRD* regulate MFIs, insurance companies and have oversight on the State Owned Banks. Other relevant regulators include the Financial Intelligence Unit (Anti Money Laundering / Combating the Financing of Terrorism i.e. AML/CFT), *SECM* (Capital Markets), *Ministry of Agriculture, Livestock and Irrigation* (Cooperatives), and *Municipalities* (Pawn shops). In addition to

[19] *There is a livestock insurance pilot project in the pipeline expected to be launched by end of 2018 by Myanma Insurance along with the Department of Livestock Breeding and Veterinary, Singapore based InfoCorp Technologies and RGK + Z&A Group. Myanma Insurance is in the process of drafting livestock insurance policy. On crop insurance the Ministry of Planning, Finance and Industry has approved a two-year crop insurance pilot project, proposed in 2016, submitted to parliament in 2017 and approved in 2018. The project aims to cover crop damages as a result of adverse weather conditions.*

[20] *CBM Statement issued January 15, 2019.*

lack of sufficient capacity, a further challenge is that government departments are directly involved in regulation and supervision, which is not international best practice.

New laws and regulations. A number of relevant laws and regulations have been introduced since the MAP 2014 study, including the Financial Institutions Law (FIL) 2016, the Microfinance Directives 2016, the Mobile Financial Services Regulations, 2016, and the Credit information reporting Regulation 2017. Laws under development include the new Microfinance law, the Insurance Business Law, and the Secured Transactions Law.

Interest rate liberalisation. Interest rates have remained constant since 2012, being capped for lending and for deposits, and the bank deposit-lending spread (5%) is low by international standards. There are strong arguments for interest rate liberalisation in the long term; building on some initial but small steps in the MFI and bank sectors e.g. higher rates on unsecured bank loans.

Establishment of a credit bureau: Under the FIL 2016, the CBM has recently issued a license to establish a credit bureau. With support from CBM, the credit bureau is expected to commence operations in 2019. Participation of non-bank credit providers is recommended as soon as is possible.

Tier-based regulation for MFIs*:* The MFI landscape is diverse in terms of capital, size, ownership and jurisdiction, and blanket regulations have been prescribed for all types of MFIs regardless of their scale and nature. Tier-based regulation is key to effective supervision and regulation, and is also key to harnessing MFI potential for savings mobilization.

4. The Financial Inclusion Journey: Progress and Challenges

4.1. National Financial Inclusion Roadmap 2014 – 2020

Financial inclusion Roadmap 2014 – 2020 resulted from the 2014 MAP Diagnostic Study which was the first study undertaken to assess the level of financial inclusion in Myanmar. The Financial Inclusion Roadmap was the guiding document for implementation of the financial inclusion action plan for the government during 2015 – 2018, under the following vision:

"*Increase Financial Inclusion in Myanmar from 30% in 2014 to 40% by 2020, and adults with more than one product from 6% to 15%, with a full range of affordable, quality and effective financial services (which comply to internationally recognized standards on responsible finance) by getting all stakeholders to work together in an integrated manner*."

Two main outcomes were anticipated. The Roadmap proposed that the goal of financial inclusion in Myanmar would be best assured by pursuing two main outcomes, namely: (1) The strengthening of the financial sector so that it would be better able to support financial inclusion; and (2) Ensuring financial inclusion in three priority segments that had been chosen in line with government policy and objectives, namely agriculture, MSMEs, and low income households.

Need for coordination. The recommendations pointed to the need for coordinated action by government, private sector and development partners, working across institutions, products and key market segments in order to address the various barriers to financial inclusion. Some of the significant issues that needed to be addressed included supporting the rapidly changing regulatory environment to fully support financial inclusion, limited supervisory capacity, limited meso-level institutions and infrastructure, un-scalable paper-based banking and payment systems, and capital constraints. The Roadmap was approved by the Government in February 2015 and officially launched on 1st April 2015 during the visit of Queen Maxima of the Netherlands. Implementation structures were put in place in 2015, and were further revised following national elections in 2016.

4.2. Delivery against the Financial Inclusion Roadmap 2014 – 2020

Achievement against overall targets. The overall Roadmap targets, both at the national level and the priority market segments, have been achieved by 2018, i.e. ahead of schedule. As at 2018, the level of financial inclusion[21] has increased to 48% of adults, while 17% of adults use more than one product category. Access to finance for all of the key target markets (farmers, the self-employed, and low income informal employees) was similarly achieved. The progress is summarised in Annexure 3.

Achievement against specific priority areas. There was also significant progress made across all 21 identified priority areas, and a summary is provided also in Annexure 3. The new Roadmap can look to build upon this progress, the coordination structures set up so far, the high ownership exercised by stakeholders especially within government, and on the gradual improvements already made in the regulatory environment for financial inclusion. However there is a need to build further on stakeholder capacity, strengthen the Roadmap's position as a national policy instrument, and increase leverage on Development Partners' knowledge and resources in the sector.

4.3. Addressing the New Challenges – Way Forward

Renewed vision. The 2018 MAP findings enable a deeper understanding of Myanmar's financial sector profile and dynamics than was possible in 2013. Given this enriched perspective and the attainment in large part of the 2020 financial inclusion objectives, as outlined in the Roadmap 2014 to 2020, a renewed vision for an inclusive financial landscape is in order – one that will firmly depend for its successful implementation on:

- **An ambitious development agenda**: The breadth and depth of financial sector change, occurring from 2014 to now, gives strong reason to reflect on key change agents including industry innovation, robust delivery channels, and user preferences and needs over the next few years. Key priorities underpinning an actionable 2023 landscape agenda are to craft a forward-looking framework of measurable objectives, with increased emphasis on usage and quality, and close alignment with the FSDS and emerging MSDP. This is to guide the development initiatives of all stakeholders.

- **An equipped public sector**: Given the instrumental role government actors play in setting a vibrant, sound, and equitable market environment, it will be critical to technically and financially equip relevant public actors, particularly the Secretariat and Technical Working Group members, so that they are able to support financial inclusion progression in the years ahead.

- **Informed and supportive Stakeholders:** Full engagement of the stakeholder community, through regular communications to industry, development partners, and government bodies to maintain consistent and current awareness of Roadmap initiatives, developments, and progress. This communication also needs to more broadly address increased awareness and promotion of the financial inclusion agenda, and link into the national agenda for example by highlighting the important linkage between savings, household welfare and national growth.

[21] *Financial inclusion was defined as using at least one financial product or service provided by a formal (regulated) financial service provider.*

Interventions needed at three key levels. Despite the relative success of efforts in the implementation of the Roadmap 2014 to 2020, many challenges remain in order to significantly increase financial inclusion in Myanmar as outlined in detail in the Roadmap 2019 to 2023. Overcoming these challenges will largely depend on:

1. Sufficient financial skills by consumers to better use the financial services available and to have confidence in the financial sector. Without an understanding of basic concepts in finance, Individuals, households and MSMEs will not be well equipped to take decisions for their financial life, and will not be incentivised to take up and use financial services.
2. Allowing financial institutions to take advantage of the still-liberalising environment in Myanmar, and new technology, to design and provide financial services tailored to the real needs of the population, especially women, MSMEs, and farmers.
3. A strengthened political, legal and regulatory framework for effective financial service delivery, and in conjunction the building of regulatory capacity to provide appropriate oversight across the board but especially for the insurance, microfinance and bank sectors.

Role of stakeholders. The GoM will continue to play a key leadership role, while the various technical and financial partners (bilateral, regional and multilateral) must also continue and enhance their support for financial inclusion, particularly by guiding and funding the implementation activities within the Roadmap context. Financial service providers will also play a key role, through innovation and further development of the sector, as well as the use of new technologies to further consolidate and extend progress already made.

5. Roadmap 2019 – 2023: Capitalising on the Opportunities, Closing the Gaps

5.1. Summary of Gaps and Opportunities

Need for continued intervention. The preceding chapters identify the substantial progress over recent years with arising widespread benefits to urban and rural areas, as well as men and women. Progress has focused on the most obvious commercial opportunities, including serving the formally employed / salaried market; banks serving unmet demand from the fast growing private corporate sector and higher income individuals; MFIs and cooperatives meeting unsatisfied demand for credit and to some extent replacing moneylenders and pawnshops; and rolling out of bank branches and ATMs in easier to reach urban and semi-urban areas. Going forward, without action there is certainly a risk that progress could slow given the complexity and challenges outlined.

Judicious credit expansion. One of the important segments identified for future growth is the self-employed. The segment is not homogeneous, and the larger enterprises which need to play a major role in the economy can probably best be served by banks. The small or micro enterprises, comprising the large majority of MSMEs, can be better served by MFIs and mobile financial service providers, that is in addition to informal (e.g. family & friends) sources.

However while extending access to credit is of concern, especially for priority segments such as MSMEs and farmers, due care is needed as emerging signs of over-indebtedness appear on the horizon. A judicious mix of fewer restrictions on the granting of credit, improved credit risk appraisal skills on the part of financial institutions, broadening beyond segments that are already well-served by credit, and better assessment of the capacity of borrowers to service their debts will be needed.

Regulatory review. With the rapid growth and development of the financial sector and its different components, it will be necessary to keep the regulatory structure under review, and allow it to evolve and align with international best practice, especially as non-bank deposit-taking institutions broaden outreach. The supervisory capacity must also be continually enhanced in line with this rapid growth.

Gender focus. Women and men enjoy similar levels of overall access to finance, but nonetheless there are differences in the types of access they enjoy. Women tend to be more reliant on MFIs and informal financial channels, and targeted initiatives can therefore improve womens' access to finance, including actions to: strengthen MFIs and continue their expansion; expand the availability of DFS; support the informally self-employed and smaller farmers; strengthen village savings and loans groups, and to enhance financial literacy and consumer protection.

State-owned bank reform. At the same time some key SOBs have stagnated and current structures and operations are not sustainable. Extensive reforms and modernisation are needed to revitalise the sector and ensure that specialised functions and the goodwill they enjoy can be built upon positively.

New opportunities to be capitalised on. There are new opportunities arising from the early stage development of mobile money and digital financial services, which can easily move beyond money transfers to provide a channel to facilitate other financial services at low cost. Then from a broader macroeconomic financial system perspective, the biggest priority is to transform at least some of the considerable savings held in informal forms into formal savings in regulated financial institutions that can be intermediated into credit and investment. Further unexploited opportunities that can be developed to yield further gains in coming years include the foreign banks and insurers who have entered the Myanmar market but whose roles have been restricted, limiting their potential impact in modernising the financial sector, and domestic insurers who are restricted in the range of products they can offer.

Customer education and protection. An underlying assumption is that customers will not be able to take up or effectively use financial services unless they are well educated about them, and that measures are in place to protect them and to build confidence in the sector.

Recent surveys[22] conducted by development partners have emphasised the promising opportunities provided by DFS to expand access to and use of financial services, the low level of savings that need to be addressed by stakeholders, and currently the low level of customer capability.

5.2. Updated Vision, Objectives and High Level targets[23]

A new vision for financial inclusion. The Vision for 2019 to 2023 is proposed as follows:

"Increase formal Financial Inclusion in Myanmar from 48% in 2018 to 60% by 2023, and adults with more than one product category from 17% to 25%, with a full range of affordable, quality and effective financial services (which comply to internationally recognised standards on responsible

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[22] The 3 surveys here mentioned were presented in September 2018 and include the CGAP Myanmar FII survey, the World Bank Myanmar Findex survey and the World Bank Myanmar Financial Capability survey.

[23] The identified targets are based on baseline from FinScope 2018

finance) by getting all stakeholders to work together in an integrated manner, in order to support job creation, poverty alleviation and household resilience".

Supporting objectives. Five supporting objectives are also proposed.

- Percentage of households with access to formal accounts to increase from 24% to 50% by 2023
- Formal financial inclusion for farmers to support agricultural activities and livelihoods to increase from 52% to 60% by 2023
- Formal financial inclusion for self-employed individuals from to increase from 51% to 60% by 2023 to support continued economic growth and job creation
- Growth in the use of Digital Financial Services, with percentage of population actively using Digital Financial Services to increase from 4% in 2018 to 25% in 2023
- Access to formal financial services for women at par with men (baseline is 4% adverse difference compared to men).

Five Key Pillars. The proposed interventions to support the financial inclusion vision and goals have been organized around five main pillars:

Strategic Pillar 1: **Increased access to finance for the low income** segment, with focus on reform / liberalisation of SOBs, MFIs and insurance; product innovation to address rural outreach and shocks related to health and crop failure; and transforming and strengthening the role and governance of cooperatives.

Strategic Pillar 2: **Increased access to finance for SMEs** and Emerging (larger holder) farmers, with focus on building the necessary capabilities within the banks, other financial service providers, and SMEs; and building the infrastructure needed to support new modes of lending (credit information systems, credit guarantees, and a modern secured lending system).

Strategic Pillar 3: **Increased savings mobilisation across all segments** to support household resilience and fund national growth, with focus on: encouraging more savings within the existing channels; expanding the range of providers including through building the necessary financial service provider and regulator capacity; and further refining the role of the informal sector and strengthening linkages with formal providers.

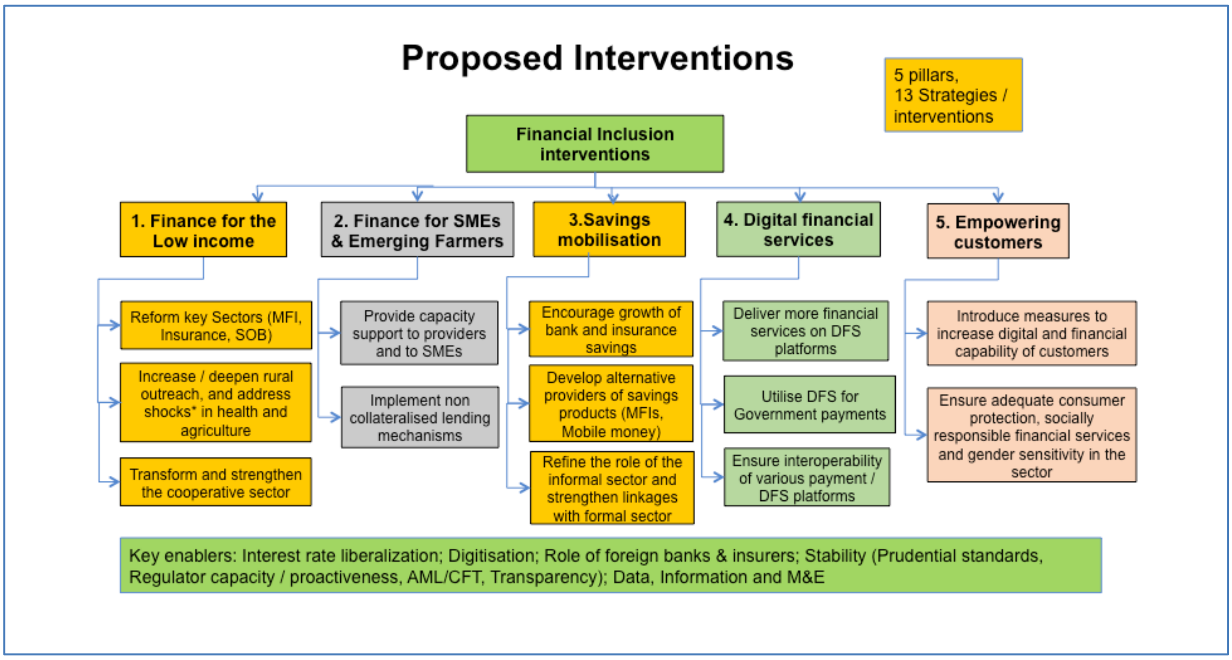
Strategic Pillar 4: **Exploiting the potential of Digital Financial Services** to broaden the reach of financial services infrastructure with focus on use of DFS to deliver other financial services; digitising government payments; and interoperability to increase users' utility of the ecosystem.

Strategic Pillar 5: **Customers are protected and educated about financial services**, to encourage use of financial services and instill confidence in the financial system, with focus on all segments, and a special emphasis on low income consumers, women, MSMEs and farmers.

Cross-cutting interventions: Over the implementation period, it will be necessary to address the interest rate regime, the role that foreign banks and insurers play, regulator capacity / proactiveness, and industry transparency to ensure they support the next level of financial inclusion. In addition, all financial institutions should place focus on digitisation, meeting prudential standards, AML/CFT issues and improving the quality and availability of appropriate financial products, which has been identified as a key gap.

The interventions are summarised in Figure 9.

Figure 9: Roadmap Interventions under Five Key Pillars



6. Proposed Implementation Areas

Highest priorities. The interventions herewith proposed are not comprehensive. They are the ones identified as part of the MAP Diagnostic 2018 as having the potential to have the biggest impact on improving financial inclusion, targeted at specific market segments and issues. Lower impact interventions will continue to be implemented by various actors but not as a focus of the Roadmap.

6.1. Pillar 1: Access to Finance for the Low Income Segment

Three main interventions to address the low income. The low income segment is an important segment as it comprises the most vulnerable citizens. Proposed interventions are focused on three main areas, broadly reflecting how the current providers can evolve to better meet low income customer needs:

(i) sector reform to strengthen the MFIs, SOBs, and the insurance sector;
(ii) increase and deepen rural reach, and to address significant, unmet customer needs identified in the research, an intervention to address shocks in agriculture and health, affordably;
(iii) better leverage on the current reach of the cooperative sector by transforming its role and governance.

A further important contribution will be made in this segment by providers of digital financial services, and this is dealt with under Pillar 4, and by informal providers considered under Pillar 3.

6.1.1. Sector Reform in the MFI, State-Owned Bank, and Insurance Sectors

MFI reform to improve ability to provide credit and collect savings. MFIs are emerging as one of the key formal financial institutions with the ability to further extend rural outreach to individuals as well as to the large number of micro and sometimes small enterprises within the low income category.

Since the majority of banks do not entertain credit to informal MSMEs, there is a significant gap in credit to small and micro enterprises which are typically informal. Despite the potential, the existing regulations and lack of funding have limited the capacity of MFIs to fully cater to these customers. Reforms such as further relaxation of the interest rate caps, making both local and foreign borrowing easier, removing restrictions on taking up collateral, and allowing increased deposit mobilization from the public (with tiered regulation) for portfolio capitalization should be carried out. The cap on the size of loans should also be removed as MFIs are already subject to leverage (debt-equity ratio) guidelines.

Allow MFIs to provide collateralised loans: the existing directive does not allow MFIs to accept any form of collateral to reduce credit risks, although this should not become a substitute for better credit risk assessment skills (as it has become with the banks). To enhance formal credit uptake and close the credit gap, FRD should promote the revision of existing laws/directives to create a framework for MFIs to accept collateral where appropriate.

Streamline MFI borrowing: Borrowing from a foreign financial institution is a primary source of funds for many MFIs. Nevertheless, there are numerous operational challenges that MFIs need to address to access these foreign funds. Prevailing regulations require MFIs to receive prior approval, including when borrowing in local currency, often delaying the deployment of capital.

There are lengthy approval processes required at the state and regional levels, which should be streamlined, based on the actual risk anticipated e.g. AML/CFT risk assessment for new lenders versus notification / less approvals for known lenders. A proper guideline with an adequate timeline would help smoothen the borrowing process. Improving access to MFI credit would particularly benefit women, who make up the majority of MFI clients.

Overindebtedness and multiple loans. While the MAP research did not uncover significant overindebtedness, recent research led by MMFA showed the prevalence of multiple borrowings. The credit bureau (addressed under Pillar 2) will play an important role in helping to reduce this risk and ensure safe and efficient retail lending to the low income segment. Microfinance institutions and any other creditors including non-Financial Institution creditors (e.g. retailer creditors) should therefore all be encouraged to participate in the credit bureau so that there is information available on the total indebtedness level of each customer and his/her complete borrowing and repayment history.

MADB and MEB reform. The MADB is the largest provider of credit in the economy (in terms of the number of borrowers) and provides extensive support to the agricultural sector as currently structured. However, it has not grown in recent years and its business model is unsustainable. MADB's governance, operations, funding and lending all are in need of reform to ensure future sustainability and support for the modernization of the agricultural sector. The World Bank Group is collaborating with the MOPFI in the reform process, which also involves MEB reform. The latter is also crucial since MEB has a wide rural footprint reform with potential to further improve formal financial inclusion in the rural context.

Liberalise the insurance sector: As the enactment of Financial Institutions Law has opened up and liberalised the banking sector, the new Insurance Business Law which is currently under development is intended to liberalise the insurance sector. The new law should be introduced without further delay as insurance penetration is very low. The new law is expected to create a level playing field for private and foreign insurance companies, as the landscape is currently dominated by the state-owned Myanma Insurance. Furthermore, the law is expected to create favorable competitive environment which will help to introduce much needed insurance products such as term and endowment life insurance policies and micro-insurance.

Introduce new products for insurance market development and capital formation: The insurance market growth and development has been constrained due to lack of financial products such as long term pensions and annuities which help drive capital accumulation and build insurance distribution infrastructure. This area has high potential for development leading to mobilisation of savings as well building security during retirement. In addition, formal long term annuities may be an attractive product for high income adults currently not engaged in the formal financial sector. Developing micro-insurance products has significant potential to address needs at household level.

6.1.2. Innovation to Increase Rural Reach and to Address Shocks in Agriculture and Health

Rural outreach: While interest rate caps and other regulatory restrictions have been slowing growth in the outlying regions, there are also other important challenges to rural expansion, such as the inherent lack of population density, security, use of different dialects, inadequate MFI staffing etc. that hinder expansion. Efforts are therefore required to help MFIs and other formal institutions to innovate and address some of these issues, hence further increase their rural outreach, as well as extend the products available to farmers in rural areas. Such innovation could also help find solutions to quality issues, most notably the difficulties currently faced by farmers who are forced to repay loans at harvest time when crop prices are very low. A pilot, implemented in cooperation with relevant agencies, on how to implement mitigation systems for this type of challenge, for example by adjusting the repayment cycles or introducing storage financing, would therefore help.

In increasing rural outreach, it is also essential to "leave no one behind", especially by identifying ways to address excluded populations who are without identity cards, especially the disabled and internally displaced citizens. There is also a need to ensure geographic diversity of financial services by finding ways to include people in ethnic and conflict areas.

Addressing shocks in agriculture*:* There is an absence of financial products available in the agriculture sector relating to the mitigation of risk. These risks mostly relate to crop failure and loss of livestock as a result of pests, plant diseases and natural disasters (Myanmar being one of the world's most exposed countries to severe flooding), as well as risk caused by price volatility. Savings and credit are currently the main financial tools used to manage such risk. However, this can have a bigger negative impact on household incomes than using insurance. Since a large section of the population is engaged in farming, the introduction of affordable agro-insurance products could help to manage or mitigate losses. Index-based insurance products similar to those used in other developing countries (Area-Yield Index and Crop Weather Index insurance) can be explored, and pilot studies should be undertaken to explore viability, noting that the scaling of such pilots will take time.

Additionally, agricultural insurance is typically not of interest to private insurers without subsidies, so affordability and cost-benefit issues will need to be considered. The needed subsidy is most typically paid by government, and based on experiences in neighbouring countries, it (the government) may need to consider paying up to two-thirds of premiums, and perhaps for the very smallest subsistence farmers, wholly pay for the crop insurance as a safety net.

Other related approaches to consider include wholesale disaster facilities and insurance, which may be useful in covering the service providers serving vulnerable citizens[24]. In addition to the provision of such insurance, experiences from countries such as the Philippines and Japan, which are also frequently disaster-affected, should be systematically studied. Action plans for improved farming methods and self-insurance, rehabilitation of business activities, substitution of damaged crops and assisting with other income generating programs should be prepared and implemented.

Health insurance*:* Currently the health and medical insurance products offered are limited to mostly government employees and the formally-employed. The absence of formal medical insurance products means a large segment of society largely depend on savings and credit to cover health and medical expenses. Since health and medical cost comprise a major part of household expenses, introducing or extending health and medical insurance products to the majority of the population should be considered. However, it is important that premiums for such insurance products are affordable (and sustainable) to increase uptake. It is also necessary to strengthen the social security insurance system to enable wider access of medical providers.

6.1.3. Transform and Strengthen the Cooperative Sector

Transforming the cooperatives sector. A transformation of the cooperative sector model in Myanmar is needed at a strategic level if the gains so far made through the sector are to be deepened and sustained. The sector is currently positioned as a channel through which credit passes from a wholesale provider into the primary cooperatives in rural areas, similar to the MFI model. While this has had benefits, it is essential for the sector to be developed in line with international best practice, for example by establishing a savings-led model. Cooperatives are successful elsewhere because they are grassroots organisations rather than top-down organisations disbursing credit. A further issue is the high reliance on volunteers to manage the cooperatives, and the lack of innovation in structure and service. There is an opportunity to expand the role of the township-level cooperative to address this, as it will be easier to inject professional skills at the township-level, and with it new products and services, digitilisation, as well as credit mobilisation for disbursement to members at the village primary-level. A policy-level review is therefore recommended, to help lead the transformation and repositioning of the cooperative sector to make it sustainable and more relevant in the coming years.

Strengthening the role of cooperatives in provision of credit. The promotion and expansion of cooperatives under government strategy has established them as an important provider for financial services. The execution of the China EXIM Bank loan (and a US$ 100 million loan for hire purchase for mechanisation) for disbursing credit to the farmers through their wide network has enhanced their credibility. However, whether cooperatives will be able to borrow money from additional sources needs to be seen[25], especially given the challenges resulting from the repayment of foreign loans resulting from exchange rate changes. Despite reporting low NPLs, the governance, credit

[24] *Examples include an MFI disaster recovery facility currently being set up by LIFT, Vision Fund's African and Asian Resilience in Disaster Insurance Scheme (ARDIS) targeting 4 million people in Africa and Asia including for tropical cyclones in Myanmar (http://www.visionfund.org/217/media/news/article/climate-insurance-programme-launched-for-africa-and-asia/), and the African Risk Capacity set up by the African Union (AU) to respond to extreme weather events and natural disasters http://www.africanriskcapacity.org.*

[25] *the Department of Cooperatives has indicated that the cooperatives society is currently borrowing from CB Bank.*

assessment, monitoring and evaluation mechanisms within cooperatives have room for further strengthening, as their role and services grow, by introducing financial services regulations and supervision, rather than just regulations applicable to cooperatives in general. There is also a need for building the capacity of cooperative managers to manage larger and more diversified financial services.

Potential of cooperatives to provide financial services beyond credit. With regards to the future positioning of cooperatives, their role in the longer term could be expanded beyond a channel for distribution of affordable credit to farmers to a provider of wider financial services. However a stronger oversight and supervision would be a prerequisite, especially to ensure the safety of members' deposits. It is also necessary to ensure that the cooperatives' financial skill sets are sufficiently strong so as to avoid risks that rapid expansion can bring about. This will mean the introduction of new regulations for supervision, monitoring and reporting, so as to allow cooperatives to expand in an orderly manner into larger and more efficient institutions. For larger cooperatives, it may be necessary to move regulation to a financial services regulator, and away from the Department of Cooperatives. The regulations should facilitate a wider portfolio of financial services and create a favorable environment for cooperatives and formal financial institutions to collaborate. In addition, it will also be important to build the capacity of the Department of Cooperatives.

Priorities for low income segment. The proposed activities for the Finance for the Low Income Pillar are shown in Table 1 below. The Low Income Working Group will be responsible for coordinating these activities.

Table 1: Interventions in the Low Income Pillar

1.1 Sector reform (MFI, SOBs, Insurance)	Ensure MFI reform improves their ability to provide credit and collect deposits
	Liberalise the insurance sector
	SOB (MADB and MEB) reform and modernisation
1.2 Innovation to increase / deepen rural outreach, and to address shocks in agriculture and health	FSP support programmes to increase outreach/better reach last mile clients
	Agriculture sector support to address shocks especially for crop failure and loss of livestock
	Health insurance for the majority of the population
1.3 Transform and strengthen the cooperative sector to deliver wider range of financial services	Policy review to transform and reposition the cooperative sector
	Strengthen the role of cooperatives in provision of credit
	Expand the role of cooperatives in provision of other financial services

6.2. Pillar 2: Access to Finance for Formal SMEs and Emerging Farmers

Two interventions are proposed to address finance for (the typically formal) SMEs and larger farmers (whose financial needs are similar to those of SMEs). These constitute an important driver of employment and growth.

As proposed in the MAP research, the MSME segment is not homogeneous, and while small and micro businesses are addressed under the Low Income Pillar (Pillar 1), the larger enterprises whose needs can best be met by institutions targeting formal SMEs are herewith addressed. Interventions to enhance inclusion for these enterprises are in two main areas, firstly reflecting the need for banks, other service providers and SMEs to develop the necessary skills to increase lending in this sector, and secondly to expand the infrastructure for risk assessment, risk management and non real estate collateral lending.

6.2.1. Enhancing Financial Service Provider and SME Capacity to Increase Lending

Encourage banks to lend to MFIs, SMEs and the agriculture sector. Banks have limited agriculture portfolios, and if lending to the sector is to be expanded they will need to strengthen their capacity for doing credit appraisals for agricultural clients. It will be important to understand the agricultural value chain, harvest cycles, food prices and seasonality. Similarly, the majority of banks do not understand how SME's operate, hence they are categorised as high risk borrowers due to insufficient assets, low capitalisation, and lack of financial records. Hence the loans offered by banks are mostly real estate collateral-based, but many SME clients lack such collateral. It is necessary for banks to shift towards a risk-based model of evaluating credit worthiness, and to widely adopt alternative forms of collateral. Digitalisation of bank processes to lower operational costs will also help banks to reach more SMEs.

Understanding the purpose of collateral. An additional important part of the capacity building for the lenders is in improving the understanding of collateral and why it is taken – the assumption in Myanmar often being that collateral must be salable for values to pay off the loan, it may be more useful to hold collateral for control and moral suasion, such that a borrower may elect to sell it instead of the lender and thus get better value in the process.

Mainstreaming DP interventions. Recent initiatives funded by JICA, KfW, LIFT and others have enabled capacity building and product development to expand credit to SMEs and within the agriculture value chain. Whereas some of these products still require much streamlining to reduce bureaucracy which is currently burdening SMEs, a few banks have initiated services in these key areas. Such efforts are to be engaged by DPs and industry associations to mainstream the lessons learned as well as to sustain innovation within the banking sector. To this end, local financing may be broadened and deepened to fully support and develop economic activity. The availability of data, information and surveys on SMEs will further help to guide policy makers and service providers.

Alternative providers. Support is needed for NBFIs (e.g. finance and lease companies) to expand the range, relevance and reach of SME products available, especially hire purchase loans and agricultural loans for mechanization. Availability of funds for SMEs will also be enhanced by encouraging the growth of other alternative providers that can serve formal SMEs, such as Development Finance Institutions (DFIs) (the possible emergence of which are closely linked to the reform of State Owned Banks), capital markets, and crowd funding, and development / expansion of tools such as bridging finance, export finance, tier 2 finance (subordinated loans), and others.

SME capacity building. Often SMEs are not well-positioned to approach banks for finance, due to lack of the necessary skills, templates and tools. Capacity building will help prepare SMEs to approach formal financial institutions for finance.

Development of the credit ecosystem. Regulations on capital adequacy and liquidity may potentially have an impact on the growth of SME credit as banks who are unable to meet the capital and liquidity requirements would have to adopt conservative lending policies. One way of addressing this is to allow domestic banks to raise capital from investment from, or via joint ventures with foreign banks. This is now more possible with restrictions removed from foreign banks and the allowing of 35% JVs with foreign banks. Banks should be subject to the International Financial Reporting Standards (IFRS) and audited appropriately.

6.2.2. Improve SME Risk Assessment and Risk Management Mechanisms

Well-functioning credit information systems. The CBM has recently issued a license to establish a credit bureau in Myanmar which is an important aspect of the credit information ecosystem. The absence of a credit bureau has affected the nature of bank lending, which is mainly real estate collateral-based, as little information on the creditworthiness of borrowers is available. This has impacted banks' capacity to take and assess risks. With support from the CBM, the credit bureau should commence operations as soon as possible, (it is expected to be live by October 2019), focusing on banks for which it is compulsory to join, and MFIs (once the legal framework is in place).

A strategic plan should be developed for the extension of services to the other credit providers – especially State Owned Banks, utility companies, cooperatives, retailers, fintechs and others. In the long run, the focus should be to expand and strengthen further the functioning of the credit bureau with respect to customer details, credit reporting and credit risk assessment mechanisms. A credit bureau, especially once extended to MFIs, would provide information on multiple borrowing (from different institutions) and hence allow lenders to obtain a more comprehensive picture of borrowers' credit exposures. In the meantime, an alternative credit information-sharing initiative coordinated by the MMFA should be encouraged and formalised.

Expanding the credit information ecosystem. In addition to the credit bureau, the implementation of a well-functioning overall credit information architecture will need continued attention, particularly in regard to creating and supporting credit provider organisations to provide robust data in the bureaus, supportive and appropriate regulations, and incorporating the role of new players such as Fintechs.-Beyond the credit reporting framework, there is potential for data and analytics companies which do not yet exist in Myanmar to support lenders. Support is required to establish these complementary services so that lenders are able to use them as needed.

Establish a modern secured lending system. The absence of a Secured Transaction Registry to record loans secured against movable assets has prevented SMEs from using such assets as collateral. This has directly restricted credit expansion towards the SME and agricultural sectors. The implementation of a Secured Transaction Law and the setting up of an online collateral registry for movable assets should be prioritised[26]. The registry should have an online access system to facilitate

[26] *Movable asset finance includes a range of movables product areas such as receivables finance, factoring, inventory finance, warehouse finance, equipment finance, intellectual property finance, supply chain finance, trade finance, transaction banking, financial leasing, etc. which together form the real backbone for formal SME finance in well functioning markets.*

easy usage of the service across the country, and cover both tangible and intangible collateral. The Secured Transactions Law currently being developed should be finalised and approved as soon as possible to provide a starting point for the development of movable asset finance market in Myanmar. International experience suggests that financing against movable assets is a main way of cash flow lending to formal SMEs, with 60-70% of all business lending secured wholly or partially by movable assets. While most SMEs do not have immovable assets (real estate), practically all SMEs have some movable assets.

Review existing credit guarantee schemes. Credit guarantee schemes have helped to support access to credit by SMEs in some countries, but the existing schemes in Myanmar appear to have had little impact. The reasons for this need to be explored further, and potential changes identified that will make them more effective before introducing any new credit guarantee products. In the medium-term, the operation of credit guarantees should be moved from Myanma Insurance to a dedicated credit guarantee fund or agency, with relevant legal reforms.

Priorities for Finance for SMEs and Farmers. The proposed activities for Finance for SMEs and Farmers are shown in Table 2 below. The SME Working Group will be responsible for coordinating these activities.

Table 2: Interventions in the Finance for Formal SMEs and Farmers Pillar

2.1 Bank lending to SMEs and emerging Farmers	Encourage banks to lend more to MFIs, SMEs and the agriculture sector
	Capacity support for SMEs to borrow from financial institutions
	Support for NBFIs to serve the SME market
	Development of the credit ecosystem
2.2 Improve SME risk assessment and risk management mechanisms	Well-functioning credit information systems
	Establish a modern secured lending system
	Review existing credit guarantee schemes

6.3. Pillar 3: Savings Mobilisation

Savings is an important priority. From a broader macroeconomic perspective, one of the biggest priorities in Myanmar is to transform at least some of the considerable savings held in informal forms, cash or in-kind into formal savings in regulated financial institutions that can be intermediated into credit and investment. From a consumer perspective, one of the priorities identified during the MAP 2014 Diagnostic and again in 2018 is to provide low-cost savings vehicles for short-term saving. This remains an important prerogative, even though in 2018 approximately 50% of adults undertake some kind of savings (formal or informal, up from 38% in 2013). Savings can help smooth income, help deal with emergencies and shocks, and assist with asset accumulation.

However, the limited presence of formal institutions to serve low-value savers in the rural areas constrains the flow of savings into the formal banking system and has spurred savings into informal channels. With private banks mainly concentrated in urban and semi-urban areas, the majority of lower income and low-value savers are underserved. The following activity areas therefore are proposed.

6.3.1. Measures to Encourage Growth of Savings through the Bank and Insurance Sectors

Simplify and modernise interest rate calculation to encourage savings. The interest rate calculation on bank deposits varies across banks, but generally the calculation methodology disadvantages savers and does not encourage bank deposits. For savings accounts, the interest is calculated on the minimum balance between the 6th morning and the last day of the month. With technical support from the CBM, banks should simplify and modernize interest rate calculation methodology across savings products. Using the average daily balance, based on the end-of-day balance method to calculate interest should be adopted by banks to encourage and reward regular savings.

Likewise, MFIs lack a clear regulatory standard for the calculation and credit of earned interest. Regulations should be prepared, reviewed, and released for uniform industry practice.

Simplify rules related to withdrawal, fees and charges. Besides the restrictive interest rate calculation methodology, rules vary across banks regarding various fees and charges. For instance, banks charges fees on transactions such as funds transfer, withdrawals, early repayment and account closure amongst others. The CBM should issue a directive on banking service fee guidelines, which will help to bring uniformity and minimize unnecessary costs for depositors and borrowers.

Traditional branch networks. It is necessary to continue with the expansion of traditional infrastructure where viable, including branches, ATMs, POS terminals and the like to provide convenient access for depositors.

Utilise agency networks, especially the Post Office network. Post office branches can also be used as a mechanism for mobilisation of savings (and other financial services), acting as agents for banks and other financial institutions. More generally the regulations to enable agency models needs to be developed.

Support / catalyze the introduction of long-term savings options. It is necessary to support/catalyse the bank and insurance sectors to introduce (and where already in place to expand) longer term savings products, including bond markets, life insurance, annuities, unit trusts, pension products and the like, accompanied by awareness, marketing and education programs to encourage adoption. In many countries, the insurance market provides a wide range of long term-savings instruments and these will find much relevance in Myanmar once introduced.

6.3.2. Encourage People to Save by Providing Them with More Options

National savings mobilisation strategy. There has been much discussion regarding savings expansion at FRD, CBM, and industry levels. Moving from discussion to a study exploring opportunities and options for savings development within the financial sector is a logical next step, and from it developing and implementing a national savings strategy, including linkages into the credit ecosystem. The strategy should clearly describe the savings enhancement policy, the infrastructure to be utilised and the implementation program. It should also consider the pension fund, the post office networks and examples of savings mobilisation in other countries applicable to Myanmar. It is also necessary to include measures needed to enhance linkages between the informal savings mechanisms utilised by the people with the regulated financial institutions such as banks, MFIs and Digital Financial Service providers. The constraints and solutions for promoting savings are multifaceted, and awareness should be highlighted as an important aspect of savings at the micro and macro levels.

Encourage people to save, and then save formally, by providing them with more options. Savings behaviour is heavily focused on informal channels and assets, reflecting a lack of choice and access to formal savings products. While informal channels offer many benefits (such as convenience), households would benefit from having a greater range of formal savings options. Then they would be able to choose formal or informal savings, depending on the value proposition of each, rather than at present being restricted by the lack of formal channels.

At present, only banks are allowed to accept deposits from the general public. A first step toward overcoming the limitations of the traditional banking channel is to improve the ease of access (increase the number of touch points, remote account opening based on e-KYC) and value creation (low cost and convenient saving products). Both cooperatives and MFIs have branch networks that are more widely distributed across the country, but are restricted from mobilizing voluntary savings from the general public. Because of the segments they work in, these institutions are betterplaced to mobilise savings from the people in the semi-urban and rural areas where private banks have limited presence.

Extend deposit-taking capacity of MFIs. FRD should continue the licensing of more MFIs to take deposits as the situation allows, while the MFIs should extend the current voluntary savings products offered so that voluntary saving is adapted to the purposes for which a customer saves e.g. for education fees, consumer durables etc., and is not restricted in value. Going forward, FRD should investigate, and if viable, allow MFIs with adequate capacity to mobilise deposits from beyond the existing pool of borrowers in a controlled manner. Due to the sensitivity associated with deposits and the potential losses to savers should financial institutions fail, there must be stringent regulation with prudential standards and supervision, including monitoring and reporting guidelines.

This requires increased capacity at the level of the financial institution, including management information systems and management expertise, as well as regulatory and supervisory capacity.

There are some known MFI abuses in the release of compulsory savings, and Finscope indicated that some borrowers are not aware of an MFI savings account in their name. Thus in addition to the longer term opportunity to offer greater flexibility for deposit taking, regulations in regard to deposits need further strengthening especially in terms of transparency, deposit rate calculations, fees, and withdrawal policy. These could be addressed before voluntary savings are expanded to avoid such problems overflowing into the expanded set of voluntary savings products.

Savings mobilisation via mobile financial services. As the number of MFS account holders, such as mobile money accounts, continues to grow across Myanmar, there is significant potential to use this platform to mobilise formal savings. The MFS can particularly drive low-value savers, as existing formal financial institutions have failed to accommodate such depositors. However the mobile money operators are still fairly new, and the market will need to further develop from a regulatory perspective before this can be enabled. In the medium to long term, the central bank should allow MMOs to roll-out limited value savings products via their mobile money-mobile financial services (MFS) accounts, backed by a bank trust account and including the payment of interest. Developing digital account opening and e-KYC processes would also help to drive uptake of digital savings accounts. MFS accounts can also be linked to bank accounts.

6.3.3. Refine the Role of the Informal Sector and Linkages with the Formal Sector

Develop a long-term strategy on the role of village savings groups. The regulatory framework does not recognize the legal existence of informal savings group in Myanmar, and thus customers are not legally protected in case of fraud. Thus there is a need for government to lead a policy review to determine a future stance towards village savings groups, given their existing prevalence and the positive role they play in other developing countries. Such a policy review may commence with the development of an independent evidence base on the sector, with a focus on the prevalence, role, consumer protection issues, and future options. Stakeholder engagement may thereafter help to inform government policy on the future of VSGs in Myanmar, and if appropriate, options for accommodating them within the legal framework.

Sustainability of the VSG model. Within legal confines, there is also a need to encourage movement towards a federated environment for VSGs, whether in the form of NGO-led federations or VSG cooperatives, to catalyse professional management in the sector necessary for long term sustainability. NGO-led VSGs also specifically need to develop sustainability plans so that the groups are able to operate beyond the NGO intervention timelines.

Innovation to encourage linkages with informal organisations in rural areas. As financial institutions continue to grow their reach into rural areas, they will need to link up with informal organisations providing services in these areas, not only to intermediate some of the savings in those organisations, but also to provide them with other financial services. These informal organisations include the rural village savings groups, social welfare organizations and foundations, local pawnshops, and with those providing microfinance services under Moneylender Act. Such linkages will help to build indirect access to formal services for low-income consumers. This would particularly benefit women, who make up the majority of informal savings and loan groups members. Examples in other countries include the development of specialised informal savings and loan groups apps for members to track their savings contributions and borrowing, and group cash deposits and withdrawals via mobile money into a bank or MFI account.

Financial literacy and information database. Savings groups can also help with financial literacy. In addition, there is a need for more detailed information on the informal sector, for example, through an independent study to gain further insights into this important sector.

Priorities for savings mobilisation. The proposed activities for the savings mobiliation are shown in Table 3 below. The Savings Mobilisation Working Group will be responsible for coordinating these activities.

Table 3: Interventions in the Savings Mobilisation Pillar

3.1 Measures to encourage more savings through the bank and insurance sectors	Incentivise increased bank savings
	Expand access infrastructure (Traditional / Non-traditional)
	Expand long-term savings options through the bank and insurance sectors
3.2 Encourage people to save, and then save formally, by providing	Develop and implement a national savings mobilisation strategy

them with more options	Savings mobilisation via mobile financial services
	Extend deposit-taking capacity of MFIs, ensuring that sufficient supervisory capacity is in place
3.3 Refine the role of informal sector and strengthen linkages with the formal sector	Develop a long-term strategy and policy on the role of village savings groups
	Sustainability of the VSG model
	Linkages between informal and formal institutions

6.4. Pillar 4: Digital Financial Services

High potential of DFS. The usage of digital financial services (DFS) is still at a nascent stage but holds the potential to drive financial inclusion in a country where the reach of formal financial providers is limited and mobile phone (especially smartphone) penetration is high. Hence, DFS can be leveraged to deliver financial products to the rural areas and low-income adults as take-up increases. However it is essential that the relevant stakeholders coordinate their activities, especially to address relevant issues that may hinder growth, such as the costs of using DFS, the infrastructure required, interoperability, data security, and measures for resolving disputes.

6.4.1. Delivery of More Financial Services on DFS

Explore potential of delivering financial services through mobile money and other DFS platforms: High operating costs (in terms of cash management, disbursement and collection) in rural areas has been a key constraint for financial providers to extend services. DFS especially through mobile money has the potential to create value, increase usage and reach to a larger population through its large agent network touch points. As the number of MFS account holders continues to grow across Myanmar, there is potential to use this platform to provide other financial services.

CBM should consider the appropriate timing to allow the various products, and develop adequate guidelines to monitor and supervise such accounts. Beside savings mobilisation, mobile money offers the potential to facilitate disbursement and repayment of credit at rural collection points, to distribute microinsurance products and to collect insurance premiums. The digitisation of institutions outside of CBM purview, such as MFIs, will require close collaboration with all relevant regulators to address AML/CFT issues that may arise.

Credit through mobile financial services. The expansion of MFS provides an opportunity for an additional credit channel, especially for short-term unsecured loans. This is usually done through a partnership between a mobile money provider, a licensed credit institution (such as a bank or MFI), and a fintech company that provides the credit-scoring algorithm. Credit eligibility is normally determined by the subscriber's record with regard to airtime purchases, mobile money usage, and previous borrowing history. Such products should in the medium to long term be explicitly permitted, and be subject to appropriate (higher) lending interest rate caps to ensure they are viable.

Allow / encourage sandbox approach for new innovative products. Digital financial services are based on innovation and creating value to the end-users. The sandbox is a flexible "test and learn" approach to foster innovation and delivery of new products and services. It helps the regulators to have a better understanding of the products, its operational risks and mitigating factors through close monitoring and regular interactions and reporting. The sandbox gives limited authorisation for fintech companies to test (pilot) new products and models with a small number of actual users in a simulated environment. This gives innovators more time to build and test business ideas, instead of spending time navigating complex financial services regulations.

Participants are nonetheless required to follow rules on marketing privacy, anti-money laundering, disclosure, and management of conflicts of interest. This approach can include mechanisms to stimulate and promote product innovation with the financial sector, including through competitions such as data hacks, challenge funds etc. Legal or regulatory changes may be necessary to support the sandbox approach. Equally development partners and financial service providers will need to develop mechanisms to encourage and promote innovation, for example availing innovation funds.

Allow remote sign-up for digital products (e.g. mobile money, micro-insurance) and e-KYC. Both banks and non-banks are required to collect KYC information from their clients as per the AML/CFT legislation. As initial documentation to start up any type of formal financial services is seen as an access barrier, most people prefer to transact with informal providers where such documentation is not required.

Authorities should allow remote digital sign-up for uptake of digital products such as mobile money and micro-insurance. A specific test program should be undertaken, in the “sandbox”, to demonstrate e-KYC approaches using digital platforms.

Low-cost remittance products will be supported by DFS. This will particularly benefit women, who make up the majority of dependents, and who are therefore dependent on money sent or provided by others. If the cost of remittance is reduced the value received by the end receiver will be greater.

Exploit potential of the fintech industry. The extension of DFS is closely linked to the growth of the fintech industry. Innovation in this area should be encouraged and supported through policies and regulations, and through support from development partners in relevant areas. In exploiting the potential of the fintech industry to enhance financial inclusion, there should be close linkages with the more advanced ASEAN fintech agenda.

Enabling environment for DFS. In addition to the specific measures mentioned above to encourage innovation, the overall regulatory environment must evolve to better support the evolving DFS landscape. This could be achieved by ensuring adequate data privacy measures and regulations, encouraging data standardisation across the sector to allow for collaboration, data exchange and large-scale analytics, and by providing adequate guidance on security measures needed to reduce the risk of vulnerabilities, digital fraud and other cybersecurity threats.

Recognising the challenges. Whilst DFS has a lot of potential as outlined above, nevertheless it is still a fairly new approach in Myanmar. Take up of mobile money for example, will require extensive digital literacy. There is thus a need to encourage customers to move beyond basic products such as airtime purchases, as well as to ensure regulators are sufficiently capacitated and remain alert and proactive. This would help to avoid the recent experience with a local DFS company where customers lost money as the company went out of business. It is also recognised that DFS may need to have widespread use in urban areas to create critical mass before it is able to fully support remote rural regions and very poor people. Capacity of agents and numbers of agents in rural areas will need to be addressed.

6.4.2. Government Use of DFS for Payments

Government use of DFS to build scale and encourage use*:* In order to build trust and encourage the use of DFS for sustainability, the GOM should take the lead in prioritising digitising government payments and receipts via mobile money or stored value cards. The adoption of DFS by the government to make G2P, G2B payments (salaries, subsidies, pensions, purchase of supplies etc.) and receive P2G, B2G (Tax, VAT, fees etc.) will go a long way in developing confidence in DFS among the general public. This could in tun increase uptake of MFS. There is however, a strong dependency on the ongoing MEB core bank system implementation, which will ease replicability and reduce costs as the bank moves towards a digitised system. Nevertheless, government should slowly introduce pilot programs to disburse payments such as social security contribution, and to collect tax returns directly to the receiver via the mobile wallet (P2G and B2G). This reduces misappropriation of funds, improves transparency, and chances of fraud and corruption is reduced. Increasing moves toward e-government, and the establishment of data centers in the country[27] will support the electronic collection of fees nationally and regionally.

6.4.3. Interoperability of Various DFS and Payment Platforms

Interoperability key to promoting DFS: Although the regulations push providers to establish open-access systems and interoperability, the lack of infrastructure / platform that allows interaction between the various service providers is a barrier. Only single integration exist as a result of collaboration between providers. Development of a switch platform that connects the banking sector, MMOs and future new entrants in the payment ecosystem with the ASEAN Switch will be important to promote interoperability. This will involve leveraging one or both of the MPU, the provider of the national payment switch to which banks are already connected, and the CBM-Net, which has already helped achieve a certain level of interoperability in the bank system that did not exist previously.

Future developments of CBM-Net and the services offered by MPU should ensure that a low-cost, real -time, open-access switch provides interoperability between all types of FSPs.

Harness new technologies to deliver consumer benefits. With interoperability, consumers should see more value in using DFS due to increased efficiency and reduced costs of transactions. To further deliver value and reduce the cost of transactions through mobile money, new technologies such as standardised QR codes should be adopted for retail payments. Implementation of QR codes could virtually eliminate POS devices, thereby reducing the cost of transactions. Though the wide use of smartphones in Myanmar reduces the need for a USSD channel, it is still important to ensure MNOs do not exploit their position by blocking access to low-cost communication channels such as USSD. The timely implementation of QR codes and other payment mechanisms is crucial to meeting DFS targets.

Priorities for Digital Financial Services. The proposed activities for DFS are shown in Table 4 below. The DFS Working Group will be responsible for coordinating these activities.

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[27] *For example, Mandalay government has launched a data center as part of its efforts to implement e-government https://www.mmtimes.com/news/mandalay-moves-closer-e-government-data-centre.html*

Table 4: Interventions in the DFS Pillar

4.1 Delivery of financial services on DFS	Explore potential of delivering financial services through mobile money and other DFS platforms
	Promote extension of credit through mobile financial services
	Exploit potential of the Fintech industry
	Create enabling environment for DFS
4.2 Government use of DFS for scale	Government use of DFS to build scale, encourage use and create efficiencies
4.3 DFS Interoperability	Interoperability across systems to promote DFS
	Harness retail payment technologies

6.5. Pillar 5: Financial Capability, Consumer Protection and Responsible Finance

Financial capability and consumer protection have been prioritised under the ASEAN Regional integration framework, the ASEAN Financial inclusion framework, as well as the national level FSDS. The ASEAN framework also specifically recommends the development of a national financial literacy strategy in each country. Financial education programmes and consumer protection mechanisms will bolster financial management capacity of consumers and small businesses, and encourage take up of financial services, particularly digital financial services. The following specific activities are proposed.

6.5.1. Digital and Financial Capability of Customers

School-level and college-level curriculum especially on banking, savings, credit, insurance and DFS. The understanding of basic financial markets, its providers, knowledge about the various products and services offered is low in Myanmar. Currently there is an ongoing discussion with the Ministry of Education (with the support of the MOPFI, the CBM and development partners) to develop school-level and college level-curriculum to ensure that the upcoming generation understands banking, the importance of saving, various types of banking services, digitisation and financial technology, amongst others. This should also be extended to TVET colleges.

FSP-led digital and financial literacy and awareness programs to help customers understand financial products, usage and financial discipline. Lack of financial literacy and awareness is one of the strongest doorstep barriers. Low literacy rates and awareness levels among consumers has led to low levels of appreciation of financial services and a low ability of people to engage with formal financial institutions, especially banks. Consumers can be empowered through effective sector-led communication using a style that is understandable, given the level of literacy in the population, as well as assisting first-time adopters in engaging with service offerings. Useful technical media platforms might include print media, TV/Radio, exhibitions, billboards etc., as well as digital platforms (websites and social media).

A focus on how credit bureaus work should also be included, so that consumers understand what kind of information is collected, and the effect of not paying loans, or of regularly paying on a timely basis. Since a credit bureau has not been in operation this should be a key part of education until usage is widespread.

Programmes should target both consumers and MSMEs. The programmes and content developed for the financial literacy should target both consumers and MSMEs. The latter will benefit from a focus on preparing them to apply for loans and other services from financial service providers.

6.5.2. Consumer Protection

Consumer rights and grievance handling mechanisms to be put in place (especially for credit and DFS). Despite the provisions in the Financial Institutions Law, the consumer protection, right and recourse provisions in the financial sector is weak, with it mostly limited to theory and with unclear guidelines. There is a low level of awareness and utilisation of consumer protection rights. In order to increase uptake of financial services and trust in formal financial service providers, it is key that strong consumer protection provisions are adopted and implemented. Consumer protection mechanisms should ensure that users have security and recourse against abuses.

Moreover, given the disproportionate uptake of credit, it is important to consider the awareness and protection of borrowers, and the risks of indebtedness. The adoption of digital payments require trust and confidence in the system and if users do not feel adequately protected (including their data and identity). they will be hesitant to start using the service. While strengthening grievance handling platforms, it is crucial that people are comfortable filing complaints and are aware of the procedures[28]. Attention will need to be paid to the enforcement of consumer protection provisions.

Responsible finance. In recent years, financial service providers have started to commit to meet minimum standards in responsible finance, or enter into social performance contracts. This this will be a useful tool to help financial service providers understand responsible finance principles, and make positive changes where necessary in their behaviour and practices towards customers.

Consumer protection framework. With modernisation of the financial system towards a market-based system and a proliferation of financial services and instruments, it is important that a consumer protection framework be designed and implemented in financial sector laws to maintain public confidence.

6.5.3. Gender Sensitivity

Gender impact. Many of the actions proposed here will have particular benefits for women, either because the actions will help to fill gaps that particularly affect women, or because they relate to products that women tend to use. MFI reforms, for instance, fit the latter category, as they make up the majority of MFI users. Therefore improvements that will support the continued growth of MFIs will benefit women in particular. Women also make up the majority of the dependents target group, and so improvements in the efficiency of remittances, for instance by extending DFS, will benefit women. Another important area is village savings and loan groups, whose members are predominantly women. Mainstreaming the further growth of these informal groups, and linking them to formal FSPs, will extend access to finance for women, and also provide an entry route to formal financial products. On the credit side, measures to improve access to micro-loans for informal

[28] *The grievances raised by customers through the Ministry of Commerce platforms has begun to see a rise in complaints related to financial services hence this is timely*

MSMEs would benefit women, e.g. through unsecured credit via mobile money. It is vital to encourage gender disaggregated client data among financial service providers and regulators.

It is also important to consider the development of strategies and linkages that promote women economic participation, especially in the informal MSME sector which is the biggest source of livelihood for women, through programs that support entrepreneurship and that mentor women, to equip them to upscale their operations. In addition, the expansion of both access and usage of financial services by women through the promotion of financial literacy programs that are sensitive to the needs of women, and the development of women-centric financial products and services that align to women's needs (especially digital products, and products for women MSME owners and women dependent segment) should be considered.

Priorities for financial capability, consumer protection and responsible finance. The proposed activities are shown in Table 5 below. The Financial Literacy and Consumer Protection Working Group will be responsible for coordinating these activities.

Table 5: Interventions in the Financial Capability Pillar

5.1 Digital and financial capability of customers	School, college and TVET level curriculum
	FSP led digital and financial literacy and awareness programs to help understand the products, usage and discipline
	National digital and financial literacy strategy in line with ASEAN guideline
5.2 Consumer protection	Consumer rights and grievance handling mechanisms to be put in place
	Responsible finance principles adopted by financial institutions
	Consumer protection framework
5.3 Gender	Gender focus and monitoring
	Promotion of and linkages with programs that support entrepreneurship and mentor women in the informal sector
	Development of women-centric financial products and services (digital, MSME and dependent-focused financial services products)
	Promotion of financial literacy programs that are sensitive to the needs of women

6.6. Supporting Actions, Coordination, Data and Information

Supporting actions. Underlying the above priorities are a number of cross-cutting actions, which impact all the priority areas and are of great importance in achieving the overall targets. These actions include a review of the interest rate policy, which may impact the growth of deposits and loans, the role that foreign banks play in the local economy, digitisation, stability issues, effective financial inclusion coordination, and the availability of accurate and reliable data and information for stakeholders.

Interest rate liberalisation. The government has taken a gradual approach to interest rate liberalisation, and both the CBM and FRD have taken steps to revise the interest rate policy as market conditions have changed: most recently CBM allowed loans to be issued at 16% (without collateral). It is envisaged that the regulators should continue to allow more interest rate flexibility, also possibly allowing lending rates for MFIs to vary by region and sector. In due course, controls on interest rates should gradually be removed and interest rate determination left to market forces.

Restrictions on the operations of foreign banks are hindering dynamism, innovation and efficiency in the banking sector. Building on the recently introduced relaxations (where they can now provide lending services freely but the same has not extended to savings), foreign banks should be allowed to operate without restriction other than the normal regulatory and supervisory requirements. This is to allow injection of skills, innovation and funding.

Digitisation and product development. All financial institutions should place focus on digitising their operations to ensure cost efficiency, availability of information and data, increase effectiveness, and reach more people, as well as improving the quality and availability of appropriate financial products with a client centered focus.

Sector stability and best practices. There is a need to increase financial transparency, including by enforcing existing regulations on financial reporting and the introduction of additional transparency-related regulations for financial institutions. From a regulator perspective, added process transparency in regulation should be increased. Sector stability is important to financial inclusion, and continued enhancement and enforcement of appropriate prudential standards in the sector is necessary, including updating the AML/CFT regulations as needed. Lastly, capacity building of regulators to ensure adequate sector supervision should be coupled with the establishment of market intelligence units within the regulatory function to raise the level of proactiveness and avoid potential loss of trust by consumers in the financial sector.

Coordination, data and information. In order to continue the effort to coordinate the financial inclusion activities most effectively, it was earlier highlighted that there is a need to enhance the technical, human and financial capacity of the key players, especially at the Financial Inclusion Secretariat. Coupled with this is the need for ongoing research and benchmarking to ensure stakeholders are well informed, and have access to up-to-date information and data on financial inclusion, including M&E data. Awareness is also an important element of coordination to stakeholders, senior government officials as well as to the public.

These activities are summarised in Table 6 below, to be coordinated by the Financial Inclusion Secretariat.

Table 6: Cross-cutting interventions

6.1 Cros- cutting enablers, Coordination, Data and Information	Interest rate liberalisation
	Sector skills, innovation and digitisation
	Sector stability and best practices including transparency, prudential standards and proactive regulation
	Coordination, data and information

7. Implementation

7.1. Summary of Activities, Responsibility, Priority and Timelines

Summary of proposed actions. The summary list of proposed actions is included below (Table 7), while the 5-year Action Plan (separate document) further outlines the responsible entities (primary and secondary), implementation time horizon and expected results. Annual Action Plans based on the 5-year plan will be prepared, on which the day-to-day activities of the IMSC and the Secretariat will be based.

In implementing these Roadmap activities, government, bank and non-bank financial institutions, insurance companies and other organisations related to provision of financial services need to cooperate harmoniously.

Table 7: Summary of Priority Actions

Low Income	1.1 Sector reform (MFI, SOBs, Insurance)	Ensure MFI reform improves their ability to provide credit and collect savings	• Revision of existing laws/directives to create a framework for MFIs to accept collateral where appropriate. • Streamline MFI borrowing: Streamline approval processes at the state and regional levels. A proper guideline with adequate timeline would smoothen the borrowing process. • Further review the FRD cap on the size of loans. • Consider more interest rate flexibility for MFIs, including removing interest rate floor for savings and allowing lending rates to vary by region and sector. • Tiered regulation of deposit taking and non-deposit taking MFIs. • Investigate the potential to increase loanable funds for MFIs through deposit mobilisation from the public, including an independent and country benchmark study to define a way forward toward this objective.
Low Income	1.1 Sector reform (MFI, SOBs, Insurance)	Liberalise the insurance sector	• Enact the insurance Business Law which is currently under development, ensuring it liberalises the insurance sector and creates a level playing field for private and foreign insurance companies. • Introduce new products for insurance market development and capital formation such as pensions and annuities which help drive capital accumulation and build insurance distribution infrastructure; and retail products targeted at the low income.
Low Income	1.1 Sector reform (MFI, SOBs, Insurance)	State Owned Bank reform	• Reform MADB's governance, operations, funding and lending practices to ensure future sustainability and support for the modernisation of the agricultural sector. • MEB reform.
Low Income	1.2 Innovation to increase / deepen rural outreach, and to address shocks in Agriculture and Health	Increasing / deepening rural outreach	• FSP support programmes to increase and deepen outreach to last mile clients (rural areas). • Identify ways to address excluded populations without identity cards including the disabled, and internally displaced citizens. • Ensure geographic diversity of financial services, including to people in ethnic and conflict areas
Low Income	1.2 Innovation to increase / deepen rural outreach, and to address shocks in Agriculture and Health	Agriculture sector support to address crop failure and loss of livestock	• Explore affordable agro-insurance products used in other developing countries (e.g. Area-Yield Index and Crop Weather Index insurance), and undertake pilot studies to explore viability, including any necessary subsidies. • Enabling policy / regulatory framework for disaster insurance. • Wholesale disaster recovery funds and insurance targeted at financial service providers focused on rural areas. • Develop alternative approaches based on systematic study of experiences from other disaster prone countries, to develop Action Plans for rehabilitation of business activities, substitution of damage crops and assisting other income generating programs.
Low Income	1.2 Innovation to increase / deepen rural outreach, and to address shocks in Agriculture and Health	Health Insurance for majority of the population	• Explore potential of introducing or extending health and medical insurance products to majority of the population, with affordable and sustainable premiums. • Strengthen the social security insurance system to enable wider access of medical providers.

	1.3 Transform and strengthen the cooperative sector to deliver wider range of financial services	Policy review to transform and reposition the cooperative sector	• Develop and implement a medium term strategy to evolve the cooperative sector from a credit disbursement-led model towards alternative models e.g. savings-led models, to deepen their role in financial inclusion. • Consider an expanded role for the township level cooperative, including to help digitise and capitalise the sector, and to introduce new products and skills into the sector.
		Strengthen the role of cooperatives in provision of credit	• Differentiate between financial and non-financial cooperatives, segment them accordingly, and consider measures to strengthen the governance, credit assessment, monitoring and evaluation mechanisms of financial services cooperatives, potentially by introducing financial services regulations and supervision. • Secure new funding sources for sustainability and expansion of cooperatives i.e. beyond the Exim Bank loan.
		Expand the role of cooperatives in provision of other financial services in the longer term	• Develop mechanisms for stronger oversight and supervision of cooperatives, to expand their potential beyond credit into other financial services such as insurance in partnership with FSPs (new regulations for supervision monitoring and reporting). • Capacity building to ensure that cooperatives' financial skill sets are sufficiently strong so as to avoid risks that rapid expansion can bring about. • Ensure sufficient regulatory capacity: For larger cooperatives, consider moving regulation to a financial services regulator, and also further build the capacity of Department of Cooperatives.
SME and Emerging farmers	2.1 Capacity support to providers and to SMEs and emerging farmers	Encourage banks to lend more to SMEs, MFIs and to the agriculture sector	• Assist banks to shift towards a risk-based SME financing model. • Strengthen bank capacity for doing credit appraisals for agricultural clients: understanding of agricultural value chains, harvest cycles, food prices and seasonality. • Support to streamline, "mainstream" and sustain recent innovations such as those by JICA, KfW, LIFT and others, including SME wholesale loans to MFIs and 2-step loans, to encourage lending in these key segments. • Support banks to introduce / mainstream new or emerging forms of alternative collateral – Invoices, Export orders, Issue vouchers, Equipment, Inventory, etc. • Increased availability of data, information and surveys on SMEs to guide policy makers and existing / new service providers.
		Capacity support to SMEs	• Training programmes for SMEs in how to apply for credit; and to equip them to meet lender requirements including accounting systems and record keeping.
		Support NBFIs to serve SME market	• Support NBFIs (e.g. finance and lease companies) to expand the range, relevance and reach of SME products available, especially hire purchase loans and agricultural loans for mechanization.
		Development of the credit ecosystem	• Continue to support domestic banks to raise capital through joint ventures with foreign banks to deal with regulations on capital adequacy and liquidity, i.e. building on recent permission for 35% JVs. • Banks should be subject to the International Financial Reporting Standards (IFRS) and audited appropriately. • Encourage the development of alternative providers, in addition to banks and NBFIs, that can serve formal SMEs – especially DFIs and capital markets; and introduce regulation to enable crowdfunding.
	2.2 Improve SME risk	Well-functioning credit information	• Commence credit bureau operations as soon as possible, accommodating all players with the technical means and legal framework to participate (commercial banks and MFIs after new MF Law is passed).

	assessment and risk management mechanisms	system	• Develop a strategic plan for extension of services to other credit providers , e.g. co-operatives, fintechs, utility companies, retailers, MADB & MEB; with potential for rudimentary negative reporting functionality for some players in the initial stages. • Expand and strengthen further the functioning of the credit bureau with respect to customer details, credit reporting and credit risk assessment mechanisms. • Supportive credit information architecture – introduce / support credit provider organisations to provide robust data, new credit bureaus as needed, supportive and appropriate regulations, and data and analytics companies. • Formalise the establishment of the MFI client-sharing platform.
		Establish a modern secured lending system	• The implementation of a Secured Transaction Law. • Prioritise the set up and operation of an online collateral registry for movable assets, with an online access system to facilitate easy usage of the service across the country. • Lenders' education and awareness.
		Review existing credit guarantee schemes	• Explore reasons for slow take off of existing credit guarantee schemes, making the necessary changes to make them more effective before introducing any new credit guarantee products. • Implement new credit guarantee scheme, and allow private insurers to provide credit guarantee insurance products. • Consider the creation of a dedicated credit guarantee fund or agency.
Mobilise Savings	3.1 Measures to encourage more savings through the bank and the insurance sectors	Incentivise increased bank savings	• Simplify and modernise bank interest rate calculation, and rules related to withdrawal, fees and charges, potentially through a CBM guideline. Ensure transparency. • Encourage banks to develop low-cost saving products. • Remote account opening with e-KYC.
		Expand Access infrastructure	• Develop / finalise regulations to enable bank agency models. • Utilise Post Office network as agents for banks and other financial institutions. • Continue wherever viable the expansion of branches, ATMs, POS terminals and Agency networks.
		Expand long-term savings options	• Support / catalyse the industry to introduce / expand longer-term savings products, including bond markets, life insurance, annuities, unit trusts, pension products and the like, accompanied by awareness, marketing and education programs to encourage adoption.
	3.2 Encourage people to save, and then save formally, by providing them with more options (MFIs, mobile money)	National savings mobilisation strategy	• Develop and implement a national savings mobilisation strategy, including further research and linkage into the credit ecosystem.
		Savings mobilization via mobile financial services	• As the mobile money market environment matures in the medium term, support MMOs to roll-out savings products via their mobile money-mobile financial services (MFS) accounts, including the payment of interest or other consumer benefits. • Enable / encourage FSPs to develop digital account opening and e-KYC processes. • Link Mobile Financial Services accounts to bank accounts.
		Extend deposit-taking capacity of	• Extend the current MFI voluntary savings products, so that voluntary saving is adapted to the purposes for which a customer saves e.g. for education fees, consumer durables etc., and is not restricted in value.

		MFIs	• Strengthen industry in the management of MFI compulsory savings. • Further relax interest rate controls on MFIs savings to allow for increased competition. • Capacity support for deposit taking MFIs, including management information systems and management expertise. • Improved regulatory and supervisory capacity to manage deposit taking MFIs. • Incorporate deposit taking MFIs, in due course, under the deposit insurance scheme. • Investigate potential for MFI deposit mobilisation from the general public in a controlled manner, with stringent regulation with prudential standards and supervision, including monitoring / reporting guidelines.
	3.3 Refine the role of informal sector and linkages with the formal informal sector	Develop a long-term strategy and policy on the role of village savings groups	• Develop an evidence-led information base on the VSG sector, with a focus on their prevalence, role, customer protection issues, and future options. • Stakeholder engagement to inform government policy on the future of VSGs in Myanmar, and if appropriate, options for accommodating them within the legal framework.
		Sustainability of the VSG model	• Within legal confines, encourage movement towards a federated environment (NGO-led federations or VSG cooperatives) to catalyse professional management in the sector. • Ensure NGO-led Village Savings Groups develop sustainability plans so that the groups are able to operate beyond the NGO intervention timelines.
		Support linkages between the formal and informal sectors	• Help establish links between informal providers, such as informal village savings and loans groups, and money lenders, with formal providers. • Explore potential for NGO supported informal savings and loans groups to incorporate financial literacy. • Develop more detailed information on the sector.
	4.1 Delivery of financial services on DFS	Promote provision of credit through mobile financial services	• As the mobile money market environment matures, allow and support operators to roll-out mobile credit products via mobile money/ mobile financial services. • Support MFIs to digitise their operations including digital disbursements, repayments, and applications; and provide clarity on the legal framework and AML/CFT issues involved. • Encourage MFIs to use digital risk management solutions including the use of credit data sharing, reporting and credit scoring. • Use of DFS transaction and other alternative data to expand provision of credit.
		Explore potential of delivering financial services through mobile money and other DFS platforms	• Allow / encourage sandbox approach for new innovative products by making the necessary regulatory changes to support the sandbox approach. • Service providers and development partners introduce mechanisms to encourage innovation (challenge funds, competitions, etc.). • Use mobile money to facilitate disbursement and payments at rural collection points (credit, micro-insurance). • Development / growth of low-cost remittance products supported by DFS. • Allow remote sign-up for digital products (e.g. mobile money, micro-insurance) and e-KYC.
		Exploit potential of the fintech industry	• Support for the growth of the fintech industry, and exploit its potential to enhance financial inclusion in Myanmar, where appropriate closely linking into the (more advanced) ASEAN fintech agenda.

			• Develop Regulatory Technology (RegTech) for the regulators to be able to effectively regulate and monitor the digital financial services ecosystem.
		Create enabling environment for DFS	• Ensure adequate data privacy measures / regulations are in place. • Enable data standardisation across financial sector to bring data into a common format that allows for collaboration, data exchange and large-scale analytics. • Develop and provide proper guidance on security measures needed to reduce the risk of vulnerabilities, digital fraud and other cybersecurity related threats.
	4.2 Utilise DFS for Government payments	Government use of DFS to build scale, encourage use, and create efficiencies	• Adoption of mobile money or other DFS platforms by the government to make G2P, G2B payments (salaries, subsidies, pensions, purchase of supplies etc.) and to receive P2G, B2G payments (Tax, utility payments, VAT, fees etc.). • Government pilot programs to disburse payments such as social and pension transfer directly to the receiver via the mobile wallet (P2G and B2G). • Digitisation of Myanmar Economic Bank.
	4.3 Interoperable DFS and payment platforms	Interoperability across systems to promote DFS	• Ensure that future developments of CBM-Net and the Myanmar Payments Union switch promote interoperability between all types of FSPs.
		Harness retail payment technologies	• Introduce new technologies such as QR codes for retail payments, based on common standards, including enhancing the payment infrastructure (hardware and software) to support the national MMQR standard. • Ensure that MNOs do not block access to low-cost communication channels such as USSD.

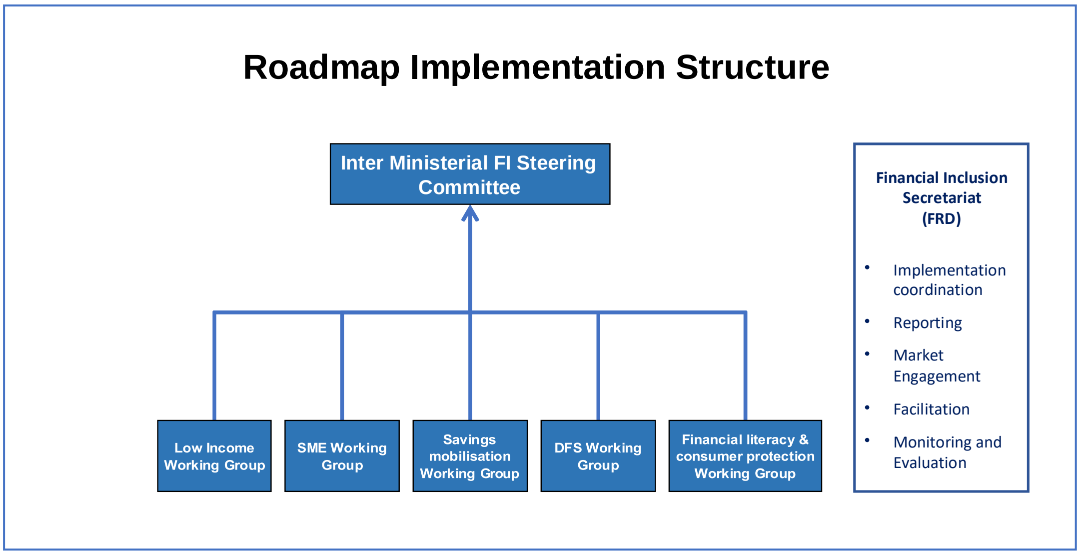
Empowered customers	5.1 Digital and financial capability of customers	School and college-level curriculum	• Continue ongoing discussion with the Ministry of Education (with the support of the MOPFI, the CBM and development partners) to develop and introduce school, college and TVET level curriculum on financial services.
		FSP financial literacy and awareness programs to help understand the products, usage and discipline	• Work with FSPs and sector associations to develop and launch financial services awareness and product-based education programs: in a style that is understandable given the level of customer literacy. This should be done across a broad range of channels; including programs by FSPs, to assist first time adopters in engaging with service offerings. • Consider integrating financial education into government cash transfer programs.
		National financial literacy strategy	• Implementation of a national digital and financial literacy strategy in line with ASEAN guidelines.
	5.2 Consumer protection and responsible finance	Consumer rights and grievance handling mechanisms	• In conjunction with the Ministry of commerce, adopt and implement a grievance handling framework for the financial services sector • Ensure awareness and protection of borrowers, and the risks of indebtedness. • Enforcement of existing consumer protection provisions.

		Responsible finance principles among FSPs	• Encourage adoption of responsible finance principles and / or social performance contracts among all classes of financial service providers.
		Consumer protection framework	• Implement consumer protection framework (principles, laws and regulations), including strong consumer protection and recourse provisions.
	5.3 Gender	Gender focus and monitoring	• Ensure the implementation remains sensitive to needs of women and girls, and provides gender sensitive data. • Promotion of and linkages with programs that support entrepreneurship and mentor women in the informal sector. • Development of women-centric financial products and services (digital, MSME and dependant focused financial services products). • Promotion of financial education and financial literacy programs that are sensitive to the needs of women.
Cross cutting	6.1 Policy reform, Coordination, Data and Information	Interest rate liberalisation	• Liberalise interest rates for deposits and lending, especially for banks and MFIs.
		Sector skills, innovation and digitization	• Allow foreign banks and insurers to operate without restriction other than the normal regulatory and supervisory requirements. • Digitization across the sector to ensure cost efficiency, availability of information and data, and effective financial services.
		Sector stability and best practices	• Increase financial transparency, including by enforcing existing regulations on financial reporting; the introduction of additional transparency-related regulations for financial institutions; and transparency in regulatory processes. • Continued enhancement and enforcement of appropriate prudential standards in the sector, including AML / CFT regulations. • Capacity-building of regulators to ensure adequate sector supervision. • Introduction of Market intelligence units within the regulatory framework to raise the level of proactiveness.
		Coordination, Data and Information	• Enhance human and financial capacity of key role players, especially at the Financial Inclusion Secretariat. • Ongoing financial inclusion awareness, coordination and reporting. • Monitoring and Evaluation. • Financial inclusion research, information and data.

7.2. Implementation Structures and Context

Implementation coordination and leadership. The existing Inter-Ministerial Steering Committee under the chairmanship of the Deputy Minister, MOPFI will continue to oversee and coordinate the Roadmap strategy Implementation. The revised IMSC structure is as shown below.

Figure 10: Roadmap Coordination Structure



Financial Inclusion Secretariat. Secretariat services will continue to be provided by FRD, a department under the Ministry of Planning, Finance and Industry. The Secretariat will be responsible to support the IMSC in the day-to-day coordination of activities, reporting, and Monitoring and Evaluation (M&E). It is anticipated that as part of future improvements, a dedicated Secretariat department within FRD will be set up, in order to allow increased focus and capacity on Secretariat activities. A plan for establishing the strengthened Secretariat has already been prepared. A capacity-building program for staff and a sustainable work process is also under consideration by the MOPFI.

Reinvigorating the implementation coordination process. A number of areas are needed to reinvigorated going forward:

- Retain a close alignment with the FSDS and MSDP, including in monitoring and evaluation.
- Obtaining firm and timely commitments of public sector senior executives, development agencies, and industry associations.
- Technically and financially equipping public sector actors, particularly the Secretariat and TWG members, so that they are able to support financial inclusion progression.
- Engagement of the stakeholder community, not least the private sector. Regular communications to industry, development partners, and government bodies will maintain consistent and current awareness of Roadmap initiatives, developments, and progress.
- Interaction with regional structures, in particular the ASEAN Working Committee on Financial Inclusion, on issues such as capacity building, progress against ASEAN targets, and others as relevant.

Government contribution to Roadmap Budget: The IMSC in leading government agencies to continue to support Roadmap implementation will engage the relevant stakeholders to allocate sufficient budget for financial inclusion activities, in order to:

1. Continue to address the issue of limited resources and capacity within the regulators, government departments and most urgently the Secretariat, as this area continues to be a significant bottleneck
2. Enable direct contributions to specific areas of the Roadmap, i.e. activity implementation budgets as part of departmental budgets.
3. Align government department budget allocations to activities relevant to the Roadmap's implementation. Increased visibility and accountability by relevant departments will enhance the implementation process.

Key stakeholders. Actual implementation will continue to be the responsibility of the respective stakeholders active in financial inclusion. Banks, microfinance and insurance Sector associations will assist to coordinate providers in their respective sectors, ensuring that sector positions emerge that support financial inclusion in a sustainable manner. The key stakeholders identified for implementation are shown in Table 8 below.

Table 8: Financial Inclusion Stakeholders in Myanmar

	Categories	Institutions	Roles & Responsibilities
1	Regulatory Authorities	• CBM • MOPFI / FRD • MOALI/DOC	• Regulatory and supervisory support • Advice, leadership, facilitation, strategy to achieve Financial Inclusion targets
2	Ministries And Agencies	• Planning and Finance • Agriculture, livestock & Irrigation (cooperatives, Agriculture sector) • Industry • Rural development • Local government • Communications • Education	• Coordination of Initiatives • Budget • Ensure that initiatives comply with Policy statements and with best practice
3	Associations & Networks	• Microfinance Association • Banking Association • Insurance Association • UMFCCI • Mobile operators • Postal network	• Represent members' ideas in Financial Inclusion committees meetings • Encourage best practice among members
4	Sector Entities	• Public sector entities (SOBs, MPT, MI) • Private sector entities (Banks, Insurers, MFIs, MNOs, MMOs, etc.)	• Implementation of best practices • Feedback to coordinating bodies
5	Development Partners	• Donors • Technical partners • Partner governments	• Financial and Technical support • Coordinate amongst each other and with Government

Financial Inclusion Inter-Ministerial Committee membership. The membership of the Financial Inclusion IMSC will continue to comprise the core stakeholders that are needed during various phases of the implementation. Membership may be reviewed from time to time at the GOM's discretion. Similarly, the Working Groups may be refined to address various detailed activity areas.

Private sector positioning. Successful implementation is contingent on engagement with, and the role played by the private sector. It will be important to get firm private sector commitment through tailored engagement with sector associations, regulatory processes, as well as with individual players to resolve specific issues for the purposes of enhancing financial inclusion. It is proposed that the Steering Committee through its structures will continue to meet and engage with the private sector in order to clarify their role in the Roadmap, obtain buy-in, as well as clarify pro-financial inclusion actions that the private sector expects the GOM to set forth.

AML / CFT requirement: All foreign and local Financial Institutions operating in Myanmar are subject to the AML/CFT legislation and regulations. The recommendations in this Roadmap assume that where any conflict manifests itself, stakeholders will engage to amend either the regulation or the envisaged actions. However, there is continuous tension between relaxing requirements to increase financial inclusion on the one hand, and ensuring that the system is not abused on the other. A recent statement from the Financial Action Task Force (FATF) highlighted the potential for tension between these goals, but emphasised that improving financial inclusion ultimately serves the aims of AML/CFT measures[29].

7.3. Anticipated Benefits

Leaving no one behind. FinScope Myanmar (2018) indicates that a vast number of adults (30%) remain without access to any type of formal or informal financial service. This limits their ability to effectively manage their financial lives. It limits their capacity to mitigate against risks, smooth their consumption, accumulate assets and invest in productive activities. Additionally among the 48% who are formally served, and the 22% who are served informally only, there is much room for improvement, by deepening access and usage.

Farmers and entrepreneurs still face significant constraints in accessing productive credit and other financial services. Even though they are among the best served, 58% of the self-employed and 38% of farmers are excluded from formal and informal financial services. In addition, financial services that these groups are receiving from financial service providers are often inadequate (too small, too late and / or require repayment at inconvenient period in the agricultural cycle). Access to formal savings and insurance for all groups remains very low.

The Financial Inclusion Roadmap will help policy makers and stakeholders focus attention on the key issues as identified in the research, and will help contribute to the following other benefits:

- Improved household welfare by extending financial inclusion to households that are currently less well-served. This includes expanded digital payment and remittance services which will enable individuals to affordably transact, send and receive long-distance remittances. Another area to focus on would be affordable and appropriate savings products that provide the tools to

[29] *FATF's Guidance on Anti-Money-Laundering and Terrorist Financing Measures and Financial Inclusion with a Supplement on Customer Due Diligence, FATF, 2017, Available at http://www.fatf-gafi.org/media/fatf/content/images/Updated-2017-FATF-2013-Guidance.pdf (accessed Jan 2019)*

build up savings that can be used to smooth consumption and mitigate risks, and increased options for risk mitigation.
- Supporting economic growth by mobilising savings, providing insurance and payment services and facilitating credit for productive enterprises and for investment in assets.
- At the macro level, improvement in overall economic efficiency by improving regulation and reducing risks. Increased access to financial services will also support the fundamental policy objectives of food security and economic growth, and a potentially help reduce inequality.
- At the micro level, the growth of new and existing institutions to better serve the low income, including new partnerships between various players.

Overall the program will result in the growth, deepening and higher quality of financial inclusion, especially by addressing some of the access barriers observed in the research. Such improvements will be beneficial to the economy. They will also help Myanmar contribute measurably towards the UN Sustainable Development Goals, the ASEAN integration and financial inclusion objectives, and the MSDP as outlined earlier.

7.4. Financial Inclusion Roadmap in the Financial Policy Context

Existing policy initiatives. The financial inclusion Roadmap is supportive of and is developed in the context of wider global, regional, and national strategies, the most relevant as outlined earlier being:

- The UN Sustainable Development Goals (Agenda 2030);
- The ASEAN Economic Community (AEC) Blueprint 2025, ASEAN 2025: Forging Ahead Together
- The ASEAN WC-FINC Financial Inclusion Framework 2016
- The Myanmar Sustainable Development Plan 2018 – 2030
- The Myanmar 12-point Economic Policy 2016
- The Financial Sector Development Strategy 2015 – 2020
- The MOALI Myanmar Agriculture Development Strategy and Investment plan 2018 – 2022
- The Myanmar Indicative Private Sector Development Framework and Action Plan 2016
- Small and Medium Enterprise Development Policy 2015
- The Myanmar Digital Economy Roadmap 2018

Financial Inclusion Roadmap 2019 to 2023. The GOM acknowledges the role of financial inclusion in serving its public policy goals. This national Roadmap has been proposed in order to form a basis for policy initiatives in the area of financial inclusion, and as such is an important document under the financial sector policy framework developed under the leadership of the MOPFI. The Financial Inclusion Roadmap 2019 to 2023 has been completed at an opportune time to not only form the basis for the policy and strategic framework for financial inclusion in Myanmar for the period 2019 to 2023, but also to support the implementation of MSDP and FSDS. In this regard, it is well-suited due to its founding on a comprehensive stakeholder-intensive diagnostic which pinpoints priority areas that will provide the greatest return on resources invested.

7.5. Financial Inclusion Roadmap in the Context of other Financial Inclusion Work

Synergy between the current and new. As noted earlier, the government has been engaged in a number of policy initiatives relevant to financial inclusion, which this Roadmap will further support. However there are also numerous other interventions under the leadership of development partners that are under way already, and it is the intention that this Roadmap will further support those interventions, and where necessary align them to the areas of greatest need. The main initiatives are summarised in Annexure 2, while the key players are outlined in Table 9 below.

Table 9: Most Relevant Financial Inclusion Development Partners implementing in Myanmar

Focus	Example areas
Asian Development Bank	Responsible finance and consumer protection, support for Microfinance regulation and activities, financial literacy, CGI
CGAP	Financial inclusion surveys
GIZ	Capacity building for bank regulator, banks and SMEs
IFC	Responsible finance, credit reporting, Secured Transactions Reform Project, capacity for regulators, SME Finance and support for Myanmar Banks Association
JICA	Development of Financial Market Infrastructure, modernising the Funds Payment and Securities Settlement Systems, SME finance, Agriculture finance and development of the insurance sector
KfW	SME Finance
LIFT Fund	Capacity building for microfinance regulators, financial literacy and awareness for rural communities, development of SME finance, microfinance extension and Agribusiness Finance, support for cooperative sector, inclusive financial services to border states and regions, electronic cash transfers and digital savings products
UKAid / DaNa	Capacity building for regulators (FRD, attorney general etc.), MSME sector finance, financial literacy, microinsurance, national AML/CFT strategy and capacity building for FIU, inclusive finance for People with Disabilities, Financial Sector Development Program (FSDP), State Owned Bank reform, insurance sector development (microinsurance) and gender-focused interventions
UNCDF	FRD support and policy development for Microfinance, MAP Diagnostic and Financial Inclusion Roadmap, financial literacy and responsible finance, Digital Financial Services, savings, MFI finance, cooperative sector and women's Financial Inclusion Project
USAID / US Treasury / OTA	Support for the Microfinance Law, regulation and supervision, insurance liberalisation and supervision, development of insurance law, loan guarantees to MFIs and private banks, data center and software for FRD, financial literacy, credit scoring system, SME and MFI finance, cooperatives sector, support to MMFA, Secured Transaction Law support, Financial intelligence unit / AML / CFT
World Bank / IMF	Support for bank and non-bank financial laws and regulations, support for forex and liquidity management and monetary policy, Financial Sector Development Strategy 2015 to 2020, support for delivery of microfinance, Findex and Customer Capability Survey, AML/CFT legal and regulatory framework and Financial Intelligence Training and Assistance, reform process of State Owned Banks, regulator support for financial literacy / consumer protection, insurance sector liberalisation, digital financial services, DFS and support for well-functioning financial sector infrastructure and payments systems

Parallel market surveys. Various development and business partners such as the Word Bank group, CGAP, IMF, Visa, and others have continued to play a crucial role in providing survey and supply side data to stakeholders in the financial inclusion space. these interventions continue to support the financial inclusion market development process. The results of these surveys, where available, have been taken into account in developing the MAP research and recommendations, in the spirit of avoiding duplication.

7.6. Monitoring & Evaluation

Measurement approach. Successful implementation depends on being able to measure progress, as well as communicating the outcomes of the interventions. The Secretariat will help monitor the proposed actions and results, and provide regular report back to various government organs. The M&E framework helps demonstrate and highlight delivery against the national Financial Inclusion Roadmap, helping ensure that activities are implemented and anticipated results are achieved. The M&E framework is also an important tool for stakeholder mobilisation, for ensuring international consistency, and to support the learning agenda.

M&E progress-to-date. During 2017, the M&E framework was developed and approved in principle by the Technical Working Group. To allow regional and international comparability, the framework is based on the G20 Financial Inclusion Indicators set[30], focusing on the most relevant subset of the updated 2016 G20 Indicators and customised to reflect local processes and technical capacity. Data collection commenced during June 2017, with data being sourced from agencies / departments including CBM, FRD, MEB, Department of Small and Medium Enterprises (DSMED), Myanmar Agricultural Development Bank (MADB), Myanma Insurance (MI) and the Cooperative Department. The selected indicators cover various areas including Access, Accounts, Usage and Quality.

Way forward for M&E. A number of challenges remain, most notably data quality, and a significant number of indicators where data was not available. Looking forward, the M&E indicator set will be revised following the finalisation of revised Roadmap priorities as proposed in this Roadmap. In addition, further forethought will occur in linking the G20 based M&E framework with relevant areas of the Myanmar Sustainability Development Plan (MSDP), the Financial Sector Development Strategy (FSDS) and ASEAN financial inclusion indicators. The revised M&E framework will serve as the 'backbone" for the Secretariat Roadmap management plan, supported with a regular reporting system. Continued engagement with stakeholders to ensure the collection of correctly defined data and to improve data collection timelines will be important, as will the bolstering of Secretariat capacity in collecting, managing, and reporting M&E data.

Measurement intervals. Monitoring, control, assessment and measuring the results of Roadmap implementation will be carried out at least once every six months.

7.7. Risks and Top Anticipated Drivers of Inclusion

Key risks and mitigation. The main risks identified in 2013 in successfully implementing the Roadmap and the mitigation steps thereof are still very relevant, and are updated and summarised as follows:

[30] *http://www.gpfi.org/data/g20-financial-inclusion-indicators*

Table 10: Anticipated Risks and Mitigation Strategies

Risks	Possible Mitigation
Sustainability of financial inclusion progress – funding sustainability of cooperatives	• The Department of Cooperatives will continue to work with stakeholders to transform the sector and to identify new sources of funding, within and outside Myanmar.
Sustainability of financial inclusion progress – ensuring insurance delivers on its promise	• The regulators will continue to focus on regulatory improvements in the insurance sector, while the private sector will need to play a strong role going forward to extend services to the middle and low income customers.
Sustainability of financial inclusion progress – ensuring digital financial services deliver on its promise, as seen in other countries	• The regulators will continue to provide a supportive regulatory environment, including sandboxes to test new ideas relevant to Myanmar. • Service providers will continue to lead product innovation and customer digital literacy, enabling a high rate of mobile money uptake that is sustained, and services beyond top-ups being widely adopted.
Lack of buy-in / compliance from key stakeholders (This risk is much reduced from 2013, However it remains a factor for continued monitoring)	• Joint finalisation of the Roadmap priorities and activities with key stakeholders including government, donors and private sector. • Workshop with individual stakeholders, regular updates during implementation.
Timing delays in passing required regulation and legislation	• Support from Ministry of Planning, Finance and Industry and Central Bank of Myanmar.
Lack of basic infrastructure limiting service in some areas or affecting service quality, e.g. power, roads	• Strengthen support systems (e.g. power, communications) where possible, e.g. for ATMs, POS and other electronic devices. • Use of mobile wallets to reduce need for travel.
Technical implementation risks	• Proper feasibility studies, planning and implementation
Lack of funds for implementing all areas of the Roadmap	• Ensure donor and government support for financial inclusion • Encourage private sector development. • Mobilise domestic savings.
Rapid pace of change leading to duplication	• Comprehensive industry discussions at the correct levels • Centralised policy and implementation coordination.
Lack of investment by private sector players	• Regulatory intervention where necessary, but with a main reliance on market forces.

The following are anticipated to be the strategies and actions that are likely to be the top drivers of financial inclusion in the medium to long term:

1. Fully functional, innovative and competitive bank, insurance and capital markets sectors, serving a broad range of customers. This would be fueled by full competition between domestic and foreign players, a much widened range of financial services, adherence to accounting and prudential standards, transparency, and the liberalisation of interest rates (in the longer term).
2. Adoption of DFS in the short to medium term, through targeted marketing / consumer education, partnerships, appropriate product development, and suitable / interoperable national payments platforms.
3. Strengthening the role of MFIs, including for deposit taking, by reforming regulation and supervision, introducing tiered supervision, and providing sufficient capacity to collect and manage the savings.
4. Reform of SOBs, to ensure future sustainability, and provide a modern platform to reach rural populations (in the longer term).

5. Get a credit bureau up and running with full functionality, in the short term servicing commercial banks and MFIs, and eventually rolling out to MADB, MEB, Cooperatives, utility companies and others. This is accompanied by compulsory credit report filing / credit status checking for all borrowers, and complemented by wider range of tangible and intangible collateral relevant to individuals and SMEs.
6. Financial literacy.

8. Conclusions

The Roadmap has outlined the goals and objectives going forward. The Myanmar National Financial Inclusion Roadmap 2019 – 2023 outlines the goals and objectives to be pursued in Myanmar over the next five years. The Roadmap is based on the comprehensive diagnostic of the financial inclusion landscape as at 2018 to identify where the most effective reforms and interventions can take place to improve financial access, and building on progress in the sector under the Financial Inclusion Roadmap 2014 – 2020.

The Roadmap's main purpose is to ensure that stakeholders work together towards common objectives that will see the greatest number of individuals, particularly in the low income, small business and farming segments benefit from improvements in financial access which complements broader government policies, strategies and objectives aimed at achieving sustainable, broad-based economic and social development.

The Roadmap has identified key opportunities and gaps. Since the 2013 FinScope (demand) Survey, the 2014 MAP Diagnostic and Financial Inclusion Roadmap 2014 to 2020, there have been extensive political, social, economic and financial sector developments, and these broader changes have been reflected in the financial sector which has grown and diversified. Most private sector financial service providers have grown although others like the once dominant MADB has seen less progress. The importance of informal financial service providers, like moneylenders, has declined as fewer people are dependent *solely* on informal service providers.

The Roadmap has in this context attempted to identify, based on the research, how the dynamics will play out over the next five years. Within this prognosis, priority interventions are recommended to continue the achievement of further gains and address the gaps that have been identified. Among the new opportunities identified are those arising from the early-stage development of mobile money and digital financial services, and from a broader macroeconomic financial system perspective, the opportunity to intermediate a higher proportion of informally held savings through the banking system.

Towards a renewed financial inclusion vision. It is imperative that stakeholders thus continue to work together to increase financial inclusion, and towards this objective a new financial inclusion goal for the period 2019 to 2023 has been proposed. The main thrust for outreach are adults, particularly women, who are excluded from access to various formal financial services, opportunities to improve depth and quality of inclusion for all segments, and a prerogative to address key segments including small businesses and farmers. It is envisaged that the proposed interventions will result in an increase in breadth and depth of financial inclusion in Myanmar, in support of national poverty alleviation and economic growth aspirations.

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10. Annexures

Annexure 1: MAP Diagnostic 2018 – Approach and Methodology

The MAP research methodology takes a holistic view of a country, combining the complex interplay of political economy, the driving customer needs and the market context. In order to do this, comprehensive interviews are undertaken with key stakeholders ranging from government to donors, associations and private sector entities. The MAP Diagnostic undertaken in 2014 was a comprehensive overview of the market in Myanmar. This is a follow-on from the initial MAP Diagnostic.

Below are some of the key features of the MAP Diagnostic:

- ***Stakeholder process:*** MAP Diagnostic leveraged the existing stakeholder processes that was established through the original MAP Diagnostic, which also included establishing the necessary approval structure;
- ***Demand-side Information:*** A nationally representative FinScope survey was undertaken, which depends on detailed pre-survey field studies to identify key issues and to localize questionnaires and data collection;
- ***Focus of Research:*** Focus has been placed on identifying changes since the previous Diagnostic, helping to fine-tune the national priorities.
- ***Priority Areas:*** The MAP Diagnostic in addition also highlighted a few key priority areas for further "deep dives" and analysis (farmers, self employed and gender).

The Diagnostic study builds on the initial MAP Diagnostic especially through:

- a hypothesis driven approach (checking what has changed rather than what is);
- fine-tuning the questionnaires and research questions more precisely given the knowledge from the initial study and MAP ongoing involvement in various countries; and
- anchoring any recommended future actions at national level based on what is already in place.

Stakeholder engagement and sample size

The MAP Diagnostic study 2018 was supported by 44 supply-side stakeholder interviews with regulators, financial service providers, and third party service providers[31]; information and data derived from 150 in-field interviews with representatives of the target markets, as well as 16 focus-group discussions (FGDs) held between March and May, 2018 in the eight state/regions, namely- Yangon, Shan, Kayin, Ayarwaddy, Mandalay, Kachin, Rakhine and Bago The study also analysed statistical data sourced from the Central Statistical Organization (CSO), the Central Bank of Myanmar (CBM), FRDof the MOPFI, along with significant desktop research to identify trends and validate findings. The data from these interviews were analysed against quantitative demand side data from the Myanmar FinScope Consumer Survey 2018[32].

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[31] *Third party service providers are non-bank institutions entrusted by a bank to conduct one or more parts of its payment services.*

[32] *The FinScope Consumer Survey is a nationally representative survey (using CAPI) of the adult population aged 18 years and older at regional and urban/rural level with a sample size of 5,500 adults. This was carried out during January-April, 2018. The sample was drawn by DoP and weighting was validated by the CSO and DoP.*

Annexure 2: Overview of Relevant Development Partner Work in Financial Inclusion

SN	Agency/ Organization	Area of Roadmap	Relevant Activities
1	Asian Development Bank Financial Sector Development Programme $60M Loan Credit guarantee Facility $60M Loan	Regulation and Supervision	• Technical support to FRD regarding supervision of MFIs for prudential market conduct • Support FRD on revisions to microfinance business law. • MFI savings strategy. • CBM HR Staffing and Organization Development Technical Assistance
		Financial literacy and responsible finance	• Assessment of consumer protection measures within Myanmar's financial sector (regulatory level and institutional level); • National strategy for financial literacy; • Standards in financial literacy in microfinance services in Myanmar. • Responsible finance strategy for microfinance sector.
		Digital Finance	• Support for Fintech companies across the ASEAN region including in Myanmar
		Low Income / SME / Agriculture	• Private sector development programme loan extensions to commercial banks • Assist microfinance association in development of an overall strategic plan
	Credit guarantee Facility $60M Loan		• Enhancing Financial Access through a Sovereign Credit Guarantee Facility ($60M Loan
2	CGAP	Data and information	• Financial Inclusion Insights survey 2018
3	GIZ	Regulation and supervision – focusing on bank sector and SME finance	• Support for banks in issuing their annual reports in line with the International Financial Reporting Standards (IFRS) • The promotion of training courses for the banking sector embedded in institutional structures, above all with the Yangon University of Economics

			• Cooperation with selected banks for the development of a needs-oriented portfolio of financial products for SMEs.
4	IFC	Regulation and supervision	• Credit Bureau - establishment and licensing of credit reporting systems and regulations; • Secured Transactions Reform Project including legal and institutional foundations for movable assets lending; • Technical assistance and capacity for various regulations in supervising Financial Institutions, Foreign Exchange, etc • Capacity building for the staff in the Financial Regulatory Department to perform its supervisory functions
		Other sector support	• SME Finance • Training to SMEs and Lending Community • Improved corporate governance in banks • Capacity building to staff members of micro finance lenders in relation to evaluating borrowers and keeping accounts, including new structure • Support for Myanmar Banks Association.
5	IMF		• See World Bank section below
6	JICA The Project for the Development of Financial Market Infrastructures/2018.8[Naypyitaw, Yangon, Mandalay] Project for Modernizing the Funds Payment and Securities Settlement Systems in Myanmar /2014.2-2020.8 [Naypyitaw, Yangon, Mandalay]	Regulation and supervision	• Working with CBM on payment & settlement support: (1) Development and introduction of ICT system for interbank funds settlement, check clearing, bond registration and management (CBM-NET). (2) Enhancement of CBM-NET • Support financial literacy and policy issues on insurance and securities • Strengthening capacity of supervising foreign banks and financing companies • Providing training to bank officials from state owned banks and Central Bank staff on modernized banking service • Legal framework for Long Term Credit Guarantee Law.

	Project for the Development of Finance for Small and Medium-sized Enterprises (Phase2)	Low income, MSME and agriculture	• Two Step loans to improve access to finance and to encourage capital investment in SME and agriculture sector and housing finance: 2-step loan via MADB for agriculture, 2-step via MEB for bank SME lending. • Encouraging use of Myanmar Credit Guarantee Insurance
	The Project on the Development of the Insurance Sector /2018.4-2019.12	Insurance	• Support for Myanmar Insurance Association (MIA) in partnership with General Insurance Agency of Japan (GIAJ) • Capacity building for insurance regulators (FRD) • Practitioner Training (Actuarial, Accounting, Rates)
7	KfW	SME Sector interventions	• $13M concessional loan to CB Bank and Myanmar Apex Bank for on-lending to SMEs under the SELP effort.
8	LIFT Fund	Regulation and Supervision	• Capacity building for Financial Regulatory Department staff to perform its supervisory functions in off and on site monitoring (including database and information management system) • MFI regulations (in conjunction with WB, UNCDF) •
		Responsible finance	• Promote financial literacy and awareness for rural communities • Support for MFI market with responsible finance trainings and advisory services
		Low income segment, MSME and agriculture	• Capacity building for micro finance lenders to evaluate borrowers and keep accounts • Ongoing Financial Inclusion Project Funding of US$53M + (Microfinance Extension, Agribusiness Finance, MF Sector Technical Assistance) • TCX Offshore Loan Facility Enables US$90 M of Financing to Mostly tier 1 MFIs (portfolio > $10M); • Partnership with the Canadian Cooperative Association (CCA) to support township-level cooperatives in the dry zones. • MSME support through SME loans and Agri-finance • Farm Machinery Hire Purchase Loans and Value Chain Financing through Yoma bank • MFI technical assistance and financing support for service extension to marginalized sectors • Capital (grant and Fix-subsidized debt) and technical services to crowd in inclusive

			financial services to border states and regions (i.e. Shan, Rakhine, Kachin, Kayah, Kayin, and Tannitharyi) and Yangon-based migrants • Agriculture finance innovation support • Private bank support for “back to back” loan product development targeting MFIs • Grant financing to stimulate bank led DFS credit and savings services for low-income rural women • Electronic Cash Transfer (ECT) technical assistance to the Ministry of Social Welfare to enable and expand ECT to pensioners as well as maternal and early child sectors.
		Digital Finance	• Partnership with Yoma bank and Telenor to launch a digital savings product
9	UK / DFID / DaNa	Legal & Regulatory	• Periodic workshops on insurance sector international best practice in conjunction with the Ministry of Finance/ FRD/ IBRB/ Myanmar Insurance. • Continuation of English language training to government officials from the insurance sector. • Workshops on legal sector international best practice in conjunction with the Myanmar Attorney General’s Office • Financial inclusion Secretariat support and MAP refresh. • Tailored training to support reform in the banking and financial sectors • National AML/CFT strategy, capacity building for FIU
		Other sector support	• Support certification preparation and tutoring for Myanmar nationals enrolled in the Certified Actuarial Analyst program. • SME finance and provision of finance for the poor including microfinance (all through IFC and LIFT) • Credit Risk Management workshop for local Myanmar banks in collaboration with “GIZ”
			• MSME supply chain financing through collaterized invoices and merchant finance • Inclusive finance project focused on People with Disabilities (Pwd) • Financial Sector Development Program (FSDP) implemented through the World Bank with a focus on: ○ CBM -institutional development, training centre support, and regulatory

			and legal framework strengthening ◦ FRD – building regulatory and supervisory capacity for microfinance and insurance markets • State Owned Bank (i.e. MADB, MEB, MFTB, MICB) reform and modernization • Micro-insurance study and product development within microfinance industry • Low income segment, Gender Women-focused financial Inclusion extension in under-served geographic areas
10	UNCDF	Regulation and supervision	• FRD support and policy development for Microfinance (DFID Funded) • MAP Refresh and Financial Inclusion Roadmap; (DFID Funded) • TA to the Secretariat for overseeing Roadmap implementation. (DFID Funded)
		Financial literacy and responsible finance	• Financial literacy and responsible finance interventions for financial service providers. • Development of financial literacy App with Wave Money. • Conduct training on financial literacy and consumer protection; overindebtedness workshops.
		Digital Financial Services (DFS)	• Initiation of DFS Working Group to aid interoperability, digitizing microfinance, payment standards and regulatory environment; • UNCDF will support MFIs in DFS - training the institutions on the range of possibilities available, and supporting FRD to best define the role that MFIs can play in the DFS ecosystem. • UNCDF DFS initiatives will also include direct implementation with a few select partners.
		Savings	• Promotion of savings (World Savings Day promotion)
		Low Income / MSMEs / Agriculture	• Support of MFIs. Grants with support from LIFT. Lending and technical assistance to promising MFIs • FRD strategy on One Household one Account initiative • Support to the cooperative sector for proving a savings led model. Training to Cooperative department. • Women's Economic Financial Inclusion Project (WEFIP) Initiative (DFID Funded)

11	US Treasury / OTA		• Financial intelligence unit / AML / CFT
12	USAID	Regulation and Supervision	• Facilitated MMFA member and government dialogue leading to documented industry feedback on operating environment enhancements Support the development of a revised law on microfinance • Secured Transaction Law support • Build the capacity of the FRD to effectively supervise the rapidly growing MFI sector. • Data center and software for FRD (under the WBG USD 100 million loan agreement with government). •
		Financial Literacy and responsible finance	• MFI financial literacy course for customers • “Mr. Finance” Mobile Chatbot Development and Release • Partnering with VFM for Use with Garment Workers
		Digital Financial Services	• Partnering Yoma bank to develop a credit scoring system
		Low Income / MSMEs / Agriculture	• Capacity of MFIs to lend to small businesses (going up market from group lending) by providing training and systems support and helping it shift more into enterprise lending (risk guarantees, TA for enterprise lending and risk management). • Technical Assistance and Training to Promote Bank Lending to MFIs (DCA Credit Guarantee for a private bank). • Capacity Building to prepare MFIs to apply and qualify for bank lending • Encourage banks to expand lending and other financial services to SMEs, particularly in agricultural and agri-business sectors • Grant to set up a township based cooperative • Bank sector regulations to better address the low income • Grant support to develop the MMFA into a self-sustaining advocacy and service provision organization for MFI sector development • Financed MMFA curriculum development and training delivery
		Insurance sector	• Strategy to liberalise the sector; Drafting of Insurance Law; • Market Studies (Consumer Perceptions); Regulator Capacity Building (Risk Based Supervision)

			• IT hardware and software for insurance supervision, and related training
13	World Bank / IMF	Legal & regulatory enhancements / reform	• In conjunction with IMF, support for Bank and non-bank financial laws and regulations, including the financial institutions act, the microfinance policy, Credit bureau, and Insurance liberalization • CBM support for FX and liquidity management and monetary policy • Financial Sector Development Strategy 2015 – 2020 (completed 2016) • Enhance the framework and institutional capacity for delivery of microfinance in Myanmar • 2018 Findex survey • Support for FRD on microfinance policy and with computers and technology training • AML/CFT legal and regulatory framework and Financial Intelligence Training and Assistance
		Reform of State Owned Banks	• Assessment and support for reform process of State owned Banks, supported by USD 100 million loan and technical assistance of USD 7 million (DFID Funded) to support MADB, MEB, MFTB and MICB reform. • SOE ownership framework for MoPF.
		Financial literacy, data and information	• Customer capability survey • Technical support to CBM on financial literacy / customer protection.
		Insurance	• Regulator Capacity Building (On-site Inspection, Reporting, Off-Site Monitoring); Technical Advice; Insurance Law Review; IT Support • Insurance Sector liberalisation Roadmap
		Digital Financial Services	• Support for CBM on DFS (mobile financial services regulations) • Support for well-functioning financial sector infrastructure and payments systems, including the laws, regulations, policies, and capacities to implement them

Annexure 3: Progress Against Roadmap 2014 – 2020

Figure 11: Progress towards Achievement of the Roadmap 2014 - 2020 Vision and Objectives

	Vision Statement	Baseline (2013)	2020 Target	Progress by 2018	Comment
Overall Vision	Increase Financial Inclusion in Myanmar from 30% in 2014 to 40% by 2020	30%	40%	48%	Achieved
	Increase Adults with more than one product from 6% to 15%	6%	15%	17%	Achieved
	Full range of affordable, quality and effective financial services (which comply to internationally recognized standards on responsible finance)	• Group-based or highly collateralized credit, short term • Limited set of insurance and savings products compared to international markets • Inconvenient and expensive to access due to poor distribution • Quality issues e.g. loans too small • Hampered in diversity and functionality by the lack of provider IT systems.	• Full range of affordable, quality and effective financial services	• Much improved range of products, however gaps remain in variety, affordability, quality and effectiveness • Responsible finance increasingly entering the provider and regulator discourse • Many providers have installed IT systems	In progress
	Getting all stakeholders to work together in an integrated manner	• Stakeholders did not have (or had limited, functionally focused) forums to coordinate and cooperate	• Effective dialogue between the stakeholders	• Stakeholders have forums to engage with government and with each other to improve the offerings to consumers	On track
Sector	Institution building by utilizing and strengthening all categories of financial institutions (as no single type of organisation can provide access to everyone)	• Dominant role played by State Owned Banks; Limited role of commercial banks • MFIs & Cooperatives nascent, still small	• All classes of financial service providers exist harmoniously & provide services to customers	• Significant share of customers for commercial banks, MFIs & cooperatives • Emerging role of mobile money	On track
	Building the market by growing the currently low level of formal intermediation	• Cash based economy • Limited use of formal financial services	• All product classes are widely available and used by customers	• Significant growth in access of formal products (except insurance)	In progress
Segment	**Farmers**: Improving financial access in agriculture by increasing the quality and diversity of products to farmers	43%	51%	52%	Achieved
	Self Employed : Increasing financial access to self-employed by strengthening institutions best positioned to serve them.	30%	40%	50%	Achieved
	Informal consumers: Providing financial inclusion and resilience to low income households by creating and incetivising business models and partnerships that are best positioned to provide the services, especially in rural areas.	15%	28%	38%	Achieved

Source: Financial Inclusion Roadmap 2014-2020 and FinScope (2018)