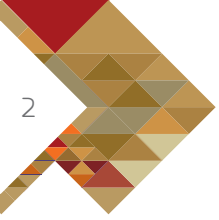




TIMOR-LESTE NATIONAL STRATEGIC PLAN FOR FINANCIAL LITERACY



Banco Central de Timor-Leste

Avenida Bispo Medeiros
PO Box 58, Dili, Timor-Leste
T: +670 331 371 2/4/5/8
F: +670 331 371 3/6/7
E: info@bancocentral.tl



**TIMOR-LESTE
NATIONAL
STRATEGIC PLAN
FOR FINANCIAL
LITERACY**

Foreword Governor

This National Strategic Plan for Financial Literacy provides a roadmap to improve the level of financial literacy in the population and to improve people's ability to manage their personal financial affairs.

The Financial Sector Master Plan for 2014 to 2025 notes that low financial literacy, including lack of numeracy and lack of familiarity with financial concepts and institutions, is one of the main impediments to achieving higher rates of financial inclusion in Timor-Leste. Therefore one of the policy actions in the Financial Sector Master Plan is for BCTL to establish a strategy and program for lifting financial literacy amongst the underserved.

This National Strategic Plan for the years 2016 to 2020 has been developed through consultation meetings and discussions with various key stakeholders. There is wide support for a national strategy. In particular, the commercial banking sector has expressed a keen interest in supporting as well as participating in discussions as the national strategy develops.

There are five focus areas in this strategic plan: building capacity and capability of the sector, providing leadership, reaching the target audience, maintaining quality and

sharing what works.

This strategy will support greater financial literacy in the Timor-Leste community.

As a first step, the Central Bank of Timor-Leste has taken a leadership role by introducing the National Financial Education Awareness campaign with the purpose of providing a basic financial education to un-banked and lower income people with the objective of improving financial knowledge, skills and attitudes, the impact of which will be to foster economic growth in the country.

In order to ensure that this strategic plan is being implemented in line with the vision, mission and objectives, there will be regular reviews of the strategy and changes will be made if and when appropriate.

I look forward to collaborating with financial institutions, government agencies, international institutions, donors, and others, as we work together to implement this strategic plan during the next five years.

Abraão de Vasconcelos
Governor

Introduction

Over the past ten years a growing number of countries have recognised and acknowledged the long-term implications of low levels of financial literacy among their populations. This has encouraged these countries to explore sustainable options for improving the levels of their populations' financial literacy and responsible behaviour when making financial decisions.

In addition to individual countries taking action, global and regional forums such as G20 and the Asia-Pacific Economic Cooperation (APEC) have also acknowledged the relevance of national efforts to support financial stability, consumer protection and financial inclusion.

At their Summit in June 2012, G20 Leaders endorsed the High-level Principles on National Strategies for Financial Education developed by the OECD and its International Network on Financial Education (INFE). Since then the OECD and Russia's G20 Presidency have jointly produced a publication entitled *Advancing National Strategies for Financial Education*. It has been widely recognised that to improve financial literacy levels and to increase consumer protection, there is a need for countries to have a coordinated

approach. The coordinated approach makes it easy to measure the impact of financial education programmes, reduces duplication of resources and promotes quality of educational resources and delivery approaches.

The National Strategy for Financial Education has been defined by OECD as a '*nationally co-ordinated approach to financial education that consists of an adapted framework or programme*'.¹ The key characteristics of a National Strategy (NS) have been outlined as below:

- NS recognises the importance of financial education—including possibly through legislation—and defines its meaning and scope at the national level in relation to identified national needs and gaps;
- NS involves the co-operation of different stakeholders as well as the identification of a national leader or co-ordinating body/council;
- NS establishes a roadmap to achieve specific and predetermined objectives within a set period of time; and

¹ OECD/INFE High-level Principles on National Strategies for Financial Education 2012

- NS also provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the National Strategy.

It is worth noting that not all countries have followed the same design or process to develop their national strategy. The process and design of the national strategy very much depends on the economic environment, policy priorities, need to align with existing initiatives and the commitment of key stakeholders within each country. Thus some countries have begun this process by implementing some financial education programmes first; whereas others have responded to the need to address specific policy priorities and others have developed the national strategy to complement their government's existing initiatives and strengthening the various stakeholder commitments.

Regardless of the process or design, there are some key steps that most governments have followed when developing a national strategy. Analysis of various national strategies suggests that the following steps may prove useful when developing a National Strategy (NS):

- A common agreement is achieved among key stakeholders on a definition, scope and purpose of the NS.
- A thorough consultation of key stakeholders is carried out to reach agreement on the objectives, targets, implementation plan and the role of each stakeholder.
- Determine the organisation/government agency responsible for governance of the NS including implementing and reporting on the progress against agreed targets. It may be necessary that in some countries the governance responsibility lies with a government agency such as Central Bank/Reserve Bank for the first few years and when it is well established, the governance role can be transferred to a non-governmental or semi-governmental agency.
- Prepare a roadmap and/or an action plan of the NS and a mechanism to report progress against objectives, impact assessment and changes for future programmes be established.
- A regular review of the process, content, priority and future direction is carried out to ensure currency and effectiveness.

Contents Page

03	Forward
04	Introduction
07	National Strategic Plan (NSP) for Timor-Leste
11	BCTL initial draft framework for National Strategic Plan for Financial Literacy
13	Journey so far
15	Process used for developing a National Strategy for Timor-Leste
17	Structure of the National Strategy <ul style="list-style-type: none">• Vision• Mission• Objective/Goals
19	Focus areas of the National Strategy
23	How will the progress be measured
23	Five year Action Plan
24	Providing Leadership
25	Reaching Target groups
26	Maintaining quality
26	Sharing what works
27	Appendix One – References

National Strategic Plan for Timor-Leste

The financial sector of Timor-Leste comprises three banks that are branches of international banks, one local bank owned by the Government of Timor-Leste, two insurance companies, 9 licensed Money Transfer Operators, two micro-finance institutions (Moris Rasik and Tuba Rai Metin) and a number of financial co-operatives and village savings groups.

According to reports of the commercial banks only 52% of adult population in Timor-Leste can access formal financial services and 48% of the adult population does not even have a bank account and/or has access to only informal financial services such as credit unions and cooperatives.

The Central Bank of Timor-Leste (BCTL) has taken a leadership role in promoting access to financial services for all the country's citizens. The BCTL is committed to bring unbanked people into the formal financial services network. There are several reasons why access to financial services is low compared to other countries with similar

populations. One reason is the high number of people lacking in basic financial literacy skills in the country where they do not really understand the products and services offered by commercial banks. Another reason, according to a number of people interviewed, is the high fees and charges by commercial banks operating in Timor-Leste².

BCTL has committed to prepare an overarching **National Financial Development Plan** which will incorporate:

- National Strategy for Financial Literacy (NSFL)
- National Strategy for Financial Inclusion (NSFI)
- Regulatory Framework to protect consumers

Under this plan, financial education/literacy would be key determinant factors to achieve the nationwide provision of financial services to un-banked peoples in rural areas and to encourage a 'savings culture' among the population.

2 Information sourced from BCTL internal memos/reports

This National Strategy focuses on financial literacy only and does not touch the other two areas as they will require further work and consultation with stakeholders. This strategy needs to be viewed as ‘high level guidelines’ and the financial education programmes viewed as part of the action plan that gives effect to the strategy.

Timor-Leste as an independent nation is still very young and is going through the process of establishing sound systems for the public sector including education, social services, financial systems, access to products and services and encouraging economic growth. In comparison to other countries in the region Timor-Leste has some key points of difference that necessitate the need for such a strategy. These include:

- Credit card uptake is still very low. People still deal in cash.
- A large proportion of the population is dependent on the government for income either through subsidies, pensions or public service salaries.
- Micro, small and medium enterprise operators dominate the business sector in numbers but not necessarily in national savings statistics
- The concept of ‘planning and saving for the future’ doesn’t resonate naturally with the people
- The current commercial banking sector’s savings products do not necessarily motivate/encourage savings
- Information about products and services is not necessarily lacking but what is missing is
 - ▶ People’s understanding of key financial concepts
 - ▶ People’s ability to interpret that information into their personal context
 - ▶ The language, format and content are not always accessible
- The need for a ‘financially literate’ population

can be divided into two categories –

- ▶ Financial inclusion – can be achieved through policy and regulation
- ▶ Education – needs to have motivation to learn. Financial education can encourage financial inclusion but not necessarily vice versa.

It is evident through discussions with the stakeholders that Timor-Leste has a need for a financial inclusion strategy and improved financial literacy levels to drive economic growth. However, it is important to point out that financial inclusion has different objectives, outcomes and skill set to make an impact. Compared with financial literacy, financial inclusion has short to medium term goals depending on the needs being addressed.

Furthermore, measuring the success of such programmes will be easier to measure because clear and measurable targets can be set and reported on. Whereas improvements in financial literacy require a long-term, behaviour change focussed and sustainable approach. Increased knowledge does not necessarily translate into automatic behaviour change and neither does it translate into increased financial inclusion. Therefore, Timor-Leste needs to consider developing two separate strategies to drive national economic growth, improved financial knowledge and behaviour and a nationwide uptake of ‘savings and planning’ culture.

It needs to be noted that financial education initiatives are part of a wider network of efforts including consumer protection, financial inclusion and an improved policy framework. Thus, this National Strategy is an attempt to bring all of these dimensions together to drive an improvement in the level of financial knowledge of the population.

In summary, for Timor-Leste to improve financial literacy levels of the population and to improve financial decision-making, this National Strategy is based on the assumption that Timor-Leste will adopt a multi-layered approach including but not limited to:

- ▶ A separate policy/strategy for financial inclusion as it requires special attention and a different framework (work has yet to begin on this)
- ▶ National Strategy for Financial Literacy (NSFL)
- ▶ Financial literacy and financial inclusion need to work simultaneously as they both will need to complement each other. Given the low levels of literacy and numeracy and insufficient access to financial products and services, it is important that they both become operational as soon as possible. In Timor-Leste's case and unique circumstances, there is no option for one or the other.
- ▶ Extensive consultation with the key stakeholders has confirmed the need for urgent work to be done in both these areas and the commercial banking sector is keen to work with the BCTL to make this happen.
- ▶ The national focus on **'Save now for a better future'** in isolation will not work unless appropriate savings products are available to the population.
- ▶ The regulatory framework for consumer protection needs to be reviewed to ensure that it incorporates developments in the finance sector. Work is under way in this area.
- ▶ There is also a need for further work in the area of income generation opportunities to enable and motivate people to save. This will need a multi-stakeholder approach which will require a long-term, sustainable policy development and action plan
- ▶ There needs to be a balanced approach when investing in financial education, for example a balance between micro loans and education programmes. It may be a better approach that all loans are accompanied with basic financial literacy programmes at the approval/allocation stage.
- ▶ The Government has an opportunity to implement financial literacy programmes at the 'front end' for all government funded business loans, pensions and other subsidies.
- ▶ The school sector needs to be involved from the beginning as this is where most impact can be made and a 'whole of family' approach through schools may prove to be effective.
- ▶ There needs to be a balance between the crisis management focussed programmes and future focussed programmes. For example, debt management programmes are just as important as savings, asset protection and investment focused programmes to improve the economic development of Timor-Leste.

To address the need for an improved financial literacy levels of the population, the BCTL has taken a leadership role to introduce a **National Financial Education Awareness campaign** with the purpose of providing a basic financial education to un-banked and lower income peoples with the benefit of improving financial knowledge, skills and attitudes, the impact of which would be to foster economic growth in the country.³

BCTL has also recognised that there is a need to develop a National Strategy for Financial Literacy as it plays an important role in:

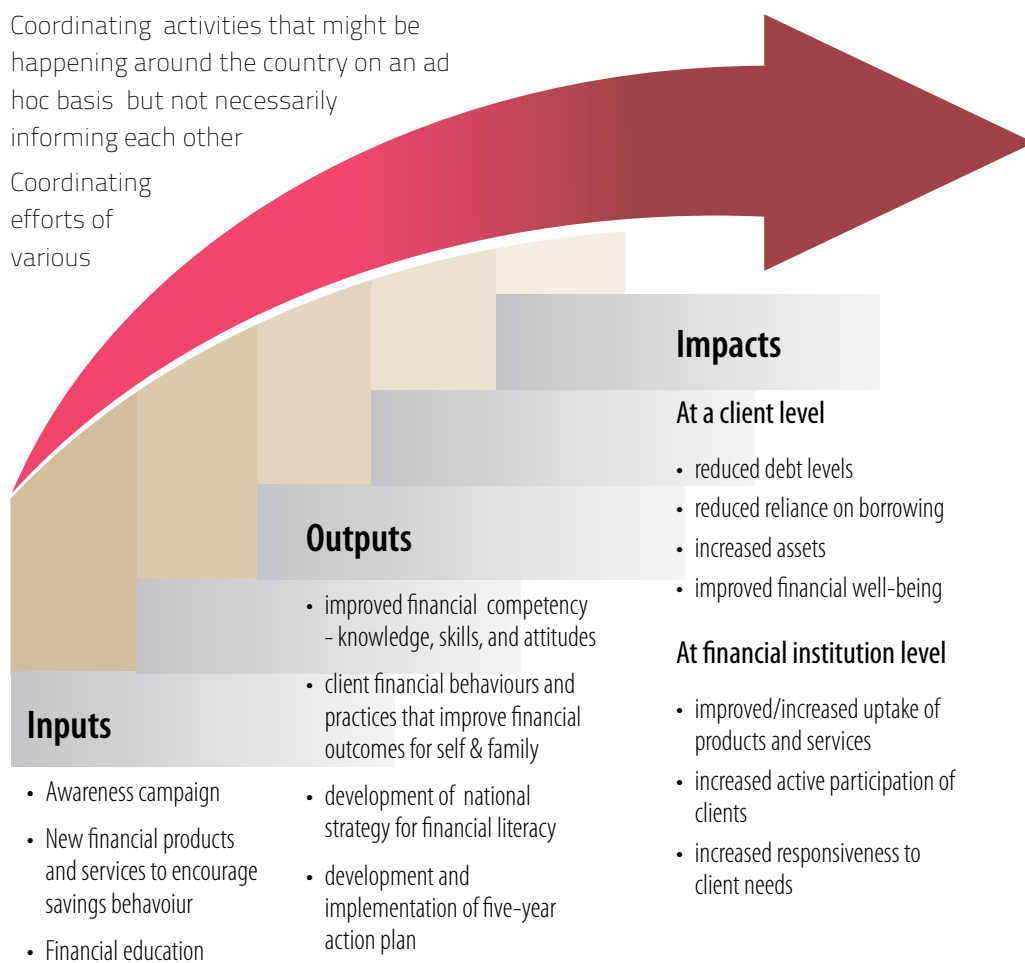
- ▶ Bringing a diverse group of stakeholders together
- ▶ Focusing stakeholder attention on a common goal
- ▶ Coordinating activities that might be happening around the country on an ad hoc basis but not necessarily informing each other
- ▶ Coordinating efforts of various

organisations to improve outcomes

- ▶ Drawing attention to and establishing a need for agreed, clear goals for the nation, and
- ▶ Encouraging collaboration among various agencies with similar goals/objectives and activities.

A National Strategy also provides direction for the nation about how to go about improving the financial literacy levels of their population. The figure below shows the initial thinking behind the process of developing a National Strategy.

Figure 1 Framework of Expected Outcomes and Impact of Financial Education – based on the original discussions with the working group



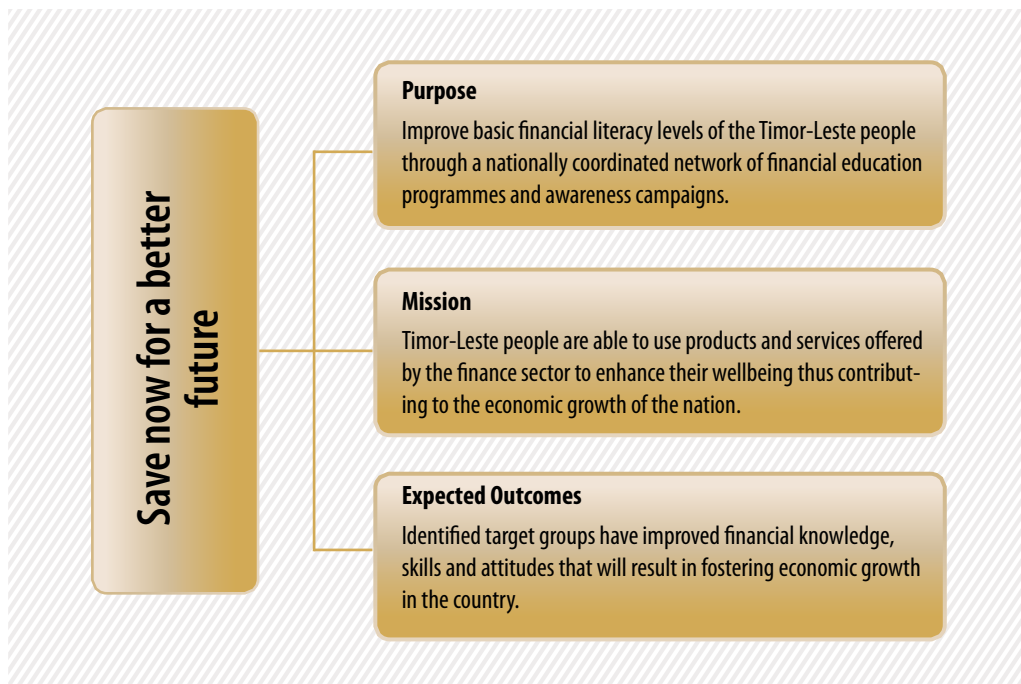
³ Text in this section has been taken from the document - Terms of reference for BCTL Financial Education Programme

BCTL initial draft framework for National Strategic Plan for Financial Literacy⁴

The consultation meetings and discussions with various stakeholders identified by the working group suggested a wide support for a national strategy. The commercial banking sector has expressed a keen interest in supporting as well as participating in future discussions

as the national strategy develops. Most commercial banks have also intimated their desire/plan to introduce new products in the market that will contribute towards the outcomes of the national strategy. The following framework is a first draft of the national strategy.

Figure 2 Framework for National Strategy for Financial Literacy



⁴ Timor-Leste might consider using the term financial capability instead of financial literacy as at the OECD level and in the education sector, the term capability is becoming more common internationally.



RAI OSAN
DIAK BA FUT

RAI OSAN
DIAK BA FU

POLIPAGOR DIAK BA T
PLANU

POLIPAGOR DIAK BA T
PRO IE

Journey so far...

In September 2014, the BCTL engaged a consultant to assist the BCTL in drafting the National Strategic Plan (NSP) for Financial Literacy along with a task to develop a five year action plan.

In November 2014, BCTL commenced a series of initial consultation meetings through engagement with key stakeholders on a National Strategic Plan (NSP) for Financial Literacy. The stakeholders in the first round of consultation meetings included the Ministry of Education, Ministry of Social Solidarity, commercial banks, Federation Cooperativa Hanai Malu, International Development Partners and Micro Finance sector.

The objective of having a National Strategic Plan (NSP) on Financial Literacy is to raise the level of awareness of financial literacy issues at a national level, achieve collaboration amongst various stakeholders, identify the best modalities for co-ordination, and ensure relevance at the national level.

The NSP will also be instrumental in identifying a lead agency to coordinate and implement the NSP and establish adequate co-ordination resources and mechanisms

in readiness for implementation. Such co-ordination will encompass the setting up responsibilities and roles consistent with the main stakeholders' expertise, strengths, interests and resources. It will be sufficiently flexible to adapt to changing circumstances and allow renegotiations amongst stakeholders whenever necessary in order to achieve better co-ordination and avoid unnecessary duplication.

In February 2015, the BCTL distributed the draft framework document on National Strategic Plan (NSP) for Financial Literacy to the key stakeholders such as Commercial Banks, Minister of Social Solidarity, Secretary of State for the Support and Socio-Economical Promotion of Women, Minister of Education, Secretary of State for Employment Policy and Vocational Training, Development Partners, Chamber of Commerce of Timor-Leste, and micro finances.

Following the distribution the draft framework, the consultative meeting was organised in March 2015. The objective of having this consultative meeting was to discuss the draft framework for a strategic document and seek stakeholder feedback and support for the NSP.



Process used for developing a National Strategy for Timor-Leste

The development of the National Strategy for Timor-Leste has been an intensive and inclusive process. The BCTL thus far has provided a leadership role in this and has also provided funding for the development phase.

The work being carried out so far:

- Need for a National Strategy established;
- Working group established to provide direction for the NS;
- Strategic implementation plan developed;
- Terms of reference of BCTL's financial education programme developed;
- Consultant appointed to lead this work;
- Terms of reference and strategic implementation plan reviewed, revised plan and terms agreed;
- Overarching theme for the awareness campaign and financial education programme agreed – ***Save Now for a Better Future***;
- Awareness campaign materials developed in English and Tetum;
- Team of facilitators/campaign champions from all commercial banks selected and trained;
- A series of face-to-face consultation meetings held with key stakeholders including commercial banks, NGOs and government agencies to seek their views and support for the National Strategy and gauge support for the awareness campaign;
- National awareness campaign launched by the President Republic;
- Regional awareness campaign meetings/events held;
- Draft NS developed and working group consulted;
- Draft NS document sent to key stakeholders for feedback/comment;
- A series of individual face-to-face meetings were held with key stakeholders including commercial banks, national and international NGOs and government agencies to seek their feedback and support, discuss their role and contribution in promoting and implementing NS;
- A consultation/feedback workshop organised which included all key stakeholders as a group to discuss 'what's in and what's out' for NS;
- Where appropriate written submissions on the draft document encouraged and a number of written submissions received; and final draft prepared including a ***Five Year Action Plan*** for approval.



Structure of the National Strategy

For a National Strategy for Timor-Leste, the term financial literacy has been defined as follows:

Financial literacy is *“a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.”*

In other words a financially literate person is someone who has sufficient knowledge, understanding, skills and confidence to make personal financial decisions that are appropriate for their personal circumstances.





Focus areas of the National Strategy

At the launch of the National savings Day event on 29 November 2014, the Governor of BCTL outlined the target groups for the financial education campaign as follows:

- Groups of sellers in the market
- Groups of Business
- Veterans groups
- Civil Servants groups including PNTL in F-FDTL;
- Groups of micro credits and cooperative
- Groups of farmers;
- Women's groups;
- Groups of pensioners;
- Youth groups;
- Student of five-year school until universities

The Governor described the purpose of the national campaign as being –

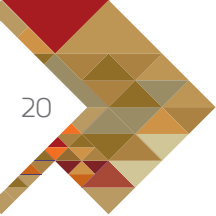
“the population to understand the importance of financial plans for their family and future; to teach the population about the importance of saving for their future, and finally have an awareness and tools

to protect themselves from risk in future through saving”.

The Governor stated that Timor-Leste needed to improve the financial literacy levels especially for the next generation; therefore, the BCTL was going to work closely with the Ministry of Education to include the financial education program at the school level. The BCTL in consultation with various stakeholders has identified following target groups that need special attention in the National Strategy:

- ▶ Women's groups
- ▶ Small and Medium Enterprise sector, which mainly includes farmers
- ▶ Veterans
- ▶ Schools

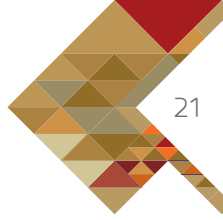
Along with the target audience, the key focus areas for the financial education programme have also been identified and this provides a strong base for measuring the awareness, knowledge, skills and in long-term attitude and behaviour to personal money management. These focus areas are described in the following tables.



Focus areas for the National Strategy

Building capacity and capability of the sector	Providing Leadership
<p data-bbox="309 792 707 898">Access to training and professional development in delivering financial literacy</p> <ul data-bbox="309 1039 707 1592" style="list-style-type: none"> <li data-bbox="309 1039 707 1137">▪ Identify and train organisations/ individuals in delivering financial literacy <li data-bbox="309 1160 707 1223">▪ Extend training programme to community groups and churches <li data-bbox="309 1245 707 1308">▪ Establish mentoring programme and train mentors <li data-bbox="309 1330 707 1393">▪ Set up an ongoing training needs analysis system <li data-bbox="309 1415 707 1514">▪ Engage government agencies to improve financial health⁵ of their employees <li data-bbox="309 1536 707 1592">▪ Organise National Financial Knowledge and behaviour survey 	<p data-bbox="786 792 1184 864">Leading the work of National Strategy</p> <ul data-bbox="786 1039 1184 1473" style="list-style-type: none"> <li data-bbox="786 1039 1184 1102">▪ Identify a lead agency for governance role <li data-bbox="786 1124 1184 1187">▪ Identify and engage key agencies as promoters of the National Strategy <li data-bbox="786 1209 1184 1272">▪ Clarify roles of all participating agencies <li data-bbox="786 1294 1184 1357">▪ Establish a register of supporters of National Strategy <li data-bbox="786 1379 1184 1473">▪ Carry out a national financial knowledge and behaviour survey to inform and review delivery

5 Financial health is a term used to describe the state of one's personal financial situation.



Reaching Target Audience	Maintaining Quality	Sharing what works
<p data-bbox="316 792 608 965">Everyone has access to 'product free' quality financial education and information</p> <ul data-bbox="316 1055 630 1771" style="list-style-type: none"> ▪ Create an ongoing awareness to increase participation ▪ Strengthen the network for reaching target audience/s ▪ Carry out systematic needs analysis of identified target groups to ensure maximum reach ▪ Establish a register of 'target audience reach' ▪ Provide special attention/focus to 'hard to reach' groups ▪ Encourage new initiatives to reach target audiences and ensure sufficient funding is available 	<p data-bbox="655 792 979 965">All information and education programmes are of high quality and are based on sound educational principles</p> <ul data-bbox="655 1055 970 1771" style="list-style-type: none"> ▪ Ensure all information and education is free of product and service promotion/endorsement ▪ Make High quality education programme/s and resources available ▪ Appropriately trained educators available to deliver programmes ▪ Develop a nationally acceptable adult and school children financial capability framework is developed ▪ Ensure a monitoring and evaluation plan for education programmes and other initiatives is in place to improve quality and increase participation 	<p data-bbox="1007 792 1262 931">All initiatives have a monitoring and evaluation plan in place</p> <ul data-bbox="1007 1055 1315 1738" style="list-style-type: none"> ▪ Identify a lead agency as a 'repository of information, resources and training material' and appropriate funding made available ▪ Provide access to resources to not-for-profit organisations ▪ Establish a close alignment with other government initiatives/projects aimed at improving financial literacy ▪ Promote and share Monitoring and Evaluation reports and best practice/delivery models



How will progress be measured?

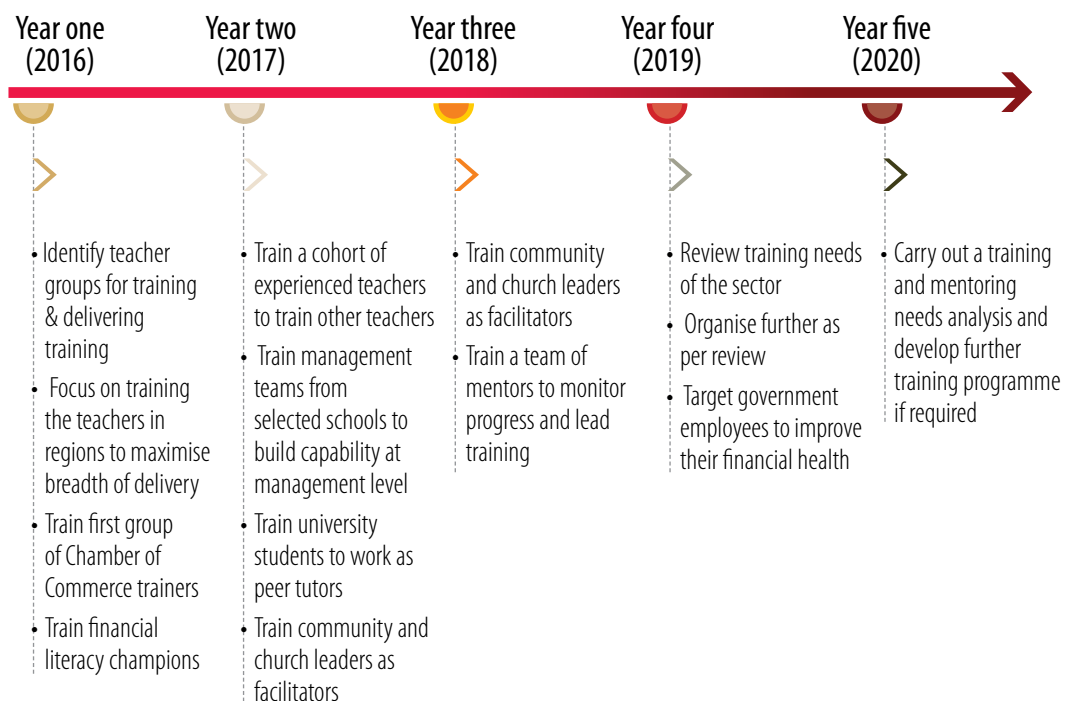
For any National Strategy it is important that the regular review of the strategy is carried out and if required appropriate changes

are made. For this National Strategy it is proposed that the progress will be measured as follows:

- ▶ **A six monthly report against the Action Plan**
- ▶ **Annual stocktake of activities**
- ▶ **Review/evaluation of all new initiatives**
- ▶ **Measure sustainable outcomes**
- ▶ **Review and set goals for coming years**
- ▶ **All stakeholders contributing to the National Strategy will be expected to report against agreed objectives**
- ▶ **Annual review of capacity and capability of education providers**

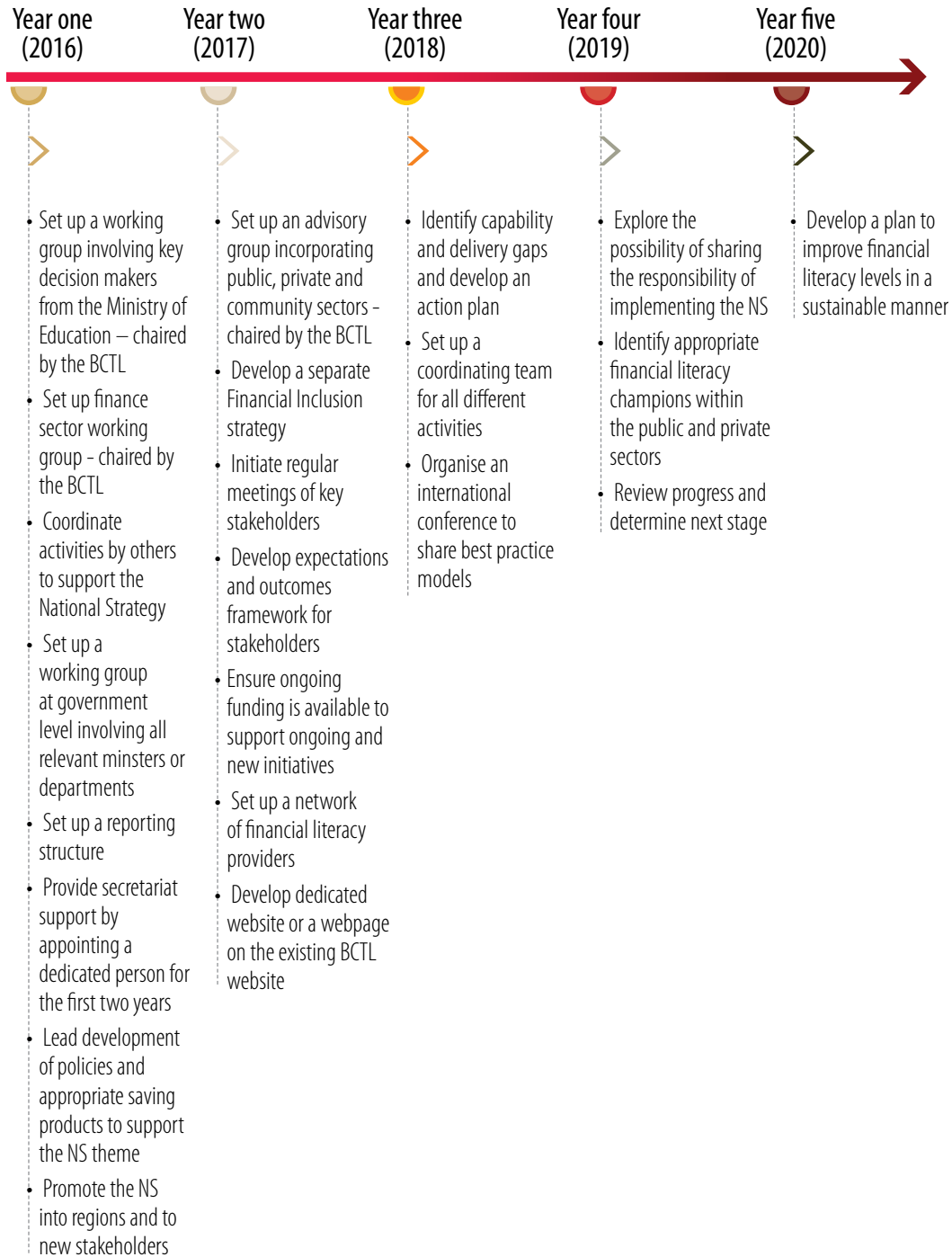
Five Year Action Plan

Building capacity and Capability of the sector



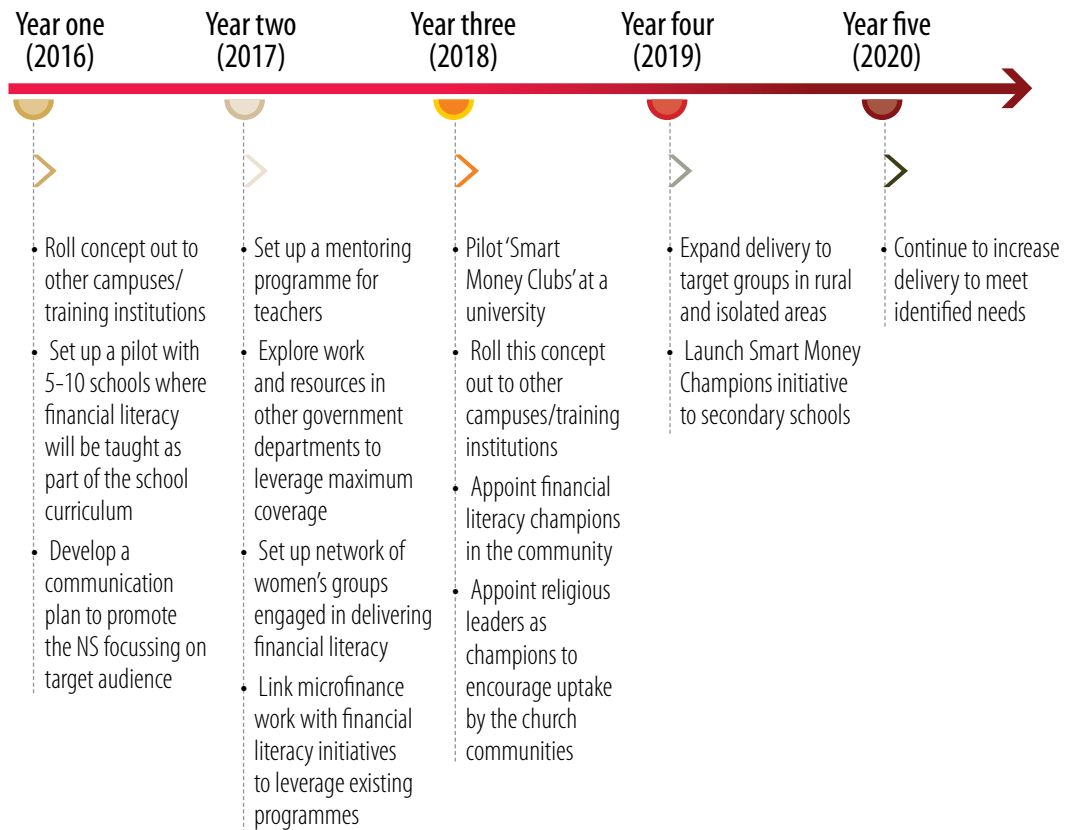
Providing Leadership

Leading the work of National Strategy



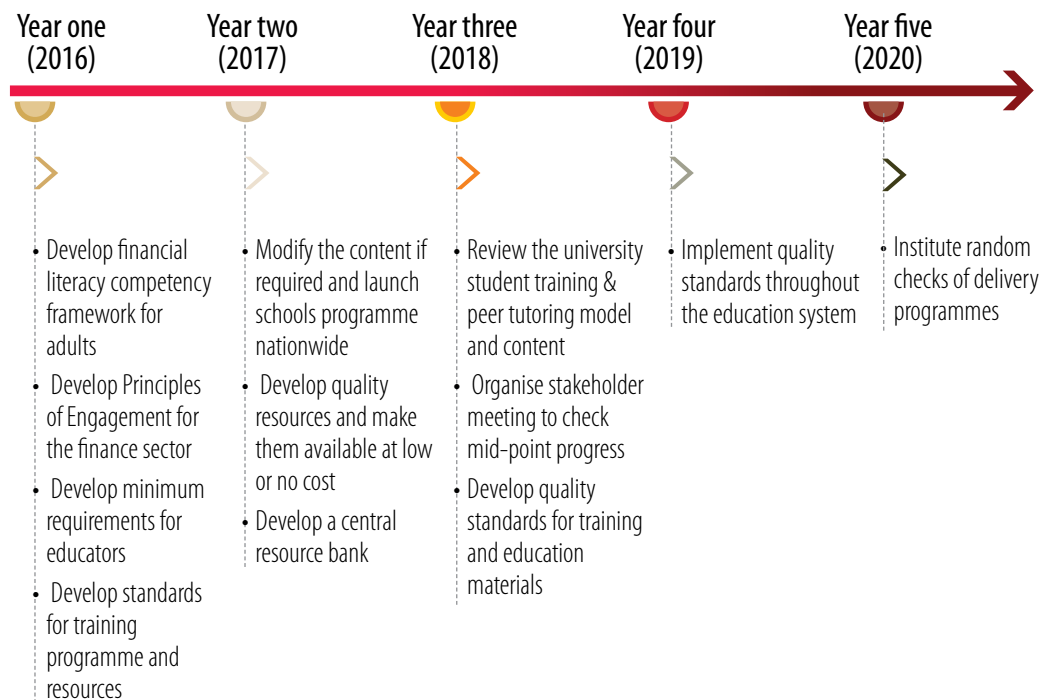
Reaching Target groups

Everyone has access to 'product free' quality financial education & information



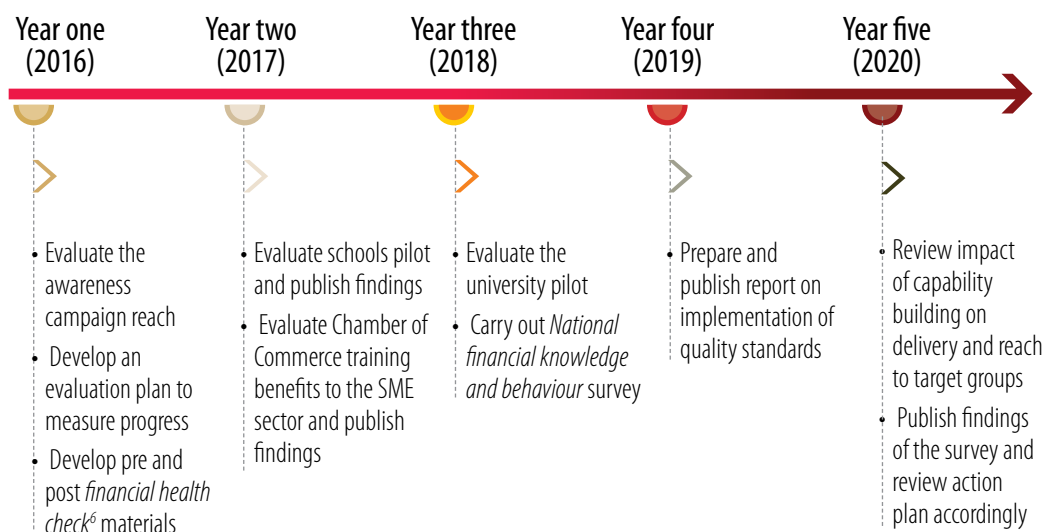
Maintaining quality

All information & education programmes are of high quality and are based on sound educational principles



Sharing what works

All initiatives have a monitoring and evaluation plan in place



⁶ Financial health check is to test people's ability to manage their money and the state of their finance

Appendix One

References used in preparation for this document

Terms of Reference: BCTL's Financial Education programme (supplied by BCTL in 2014)

Following OECD Working Papers consulted are available at www.oecd.org/daf/fin

Grifoni, A. and Messy, F-A. (2012), "Current Status of National Strategies for Financial Education: A Comparative Analysis and Relevant Practices", *OECD Working Papers on Finance, Insurance and Private Pensions*, No.16, OECD Publishing.

Following documents are available at www.financial-education.org

Russia G20 and OECD (2013), *Advancing National Strategies for Financial Education: Summary* (A joint publication by Russia's G20 Presidency and the OECD)

OECD (2012), *OECD/INFE High-Level Principles on National Strategies for Financial Education*

OECD (2009), *Recommendation of the Council on Good Practices on Financial Education and Awareness relating to Credit*

OECD/INFE (2009), *Financial Education and the Crisis: Policy Paper and Guidance*

INFE (2010a), *Guide to Evaluating Financial Education Programmes*

INFE (2010b), *Detailed Guide to Evaluating Financial Education Programmes*

Individual stakeholder meetings

Key stakeholder meeting/workshop

Facilitator feedback

Feedback from the districts

Banco Central de Timor-Leste

Avenida Bispo Medeiros

PO Box 58, Dili, Timor-Leste

T: +670 331 371 2/4/5/8

F: +670 331 371 3/6/7

E: info@bancocentral.tl