



National Strategy for Financial Literacy

TIMOR-LESTE
2022 - 2027



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**Timor Leste
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Foreword by the Governor



The Banco Central de Timor-Leste decided to promote financial literacy in Timor-Leste to strengthen the financial sector and support the Timorese to achieve better financial health and financial security.

Since the development of the Financial Sector Master Plan for 2014 to 2025, the low level of financial literacy, lack of numeracy, and lack of familiarity with financial concepts and institutions were highlighted as a significant barrier to achieving higher financial inclusion rates.

The first National Strategy for Financial Literacy, published in 2016, defined financial literacy as a combination of financial awareness, knowledge, skills, attitudes, and behaviours necessary to make sound financial decisions and, ultimately, achieve individual financial well-being. A lot has been done to promote financial literacy since 2016. This strategy aims to continue improving the basic financial literacy levels of the Timorese through a coordinated network of financial education programs and awareness campaigns

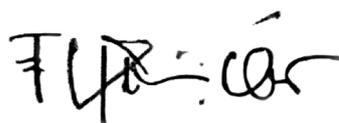
In the last years, the Banco Central de Timor-Leste was focused on digitizing the national payment system to add efficiency and safety to the financial sector operations. The modernization of the national payment system facilitated the expansion of the services available, including promoting digital channels to reach unbanked people and increase access to financial services. The Banco Central de Timor-Leste implemented financial literacy initiatives for children, adults, and entrepreneurs while promoting campaigns and events targeting the whole population.

This second National Strategy for Financial Literacy aims to increase the focus in and target specific underprivileged and/or vulnerable groups such as children, women and MSMEs, in order to achieve a higher level of impact and results. The Banco Central de Timor-Leste will continue to engage with and cooperate with all the relevant stakeholders to deliver Financial Literacy to these segments of society.

It highlights the importance of digital literacy as part of financial literacy, as many services are offered through digital channels. The effect of the COVID-19 pandemic emphasized the importance of promoting financial literacy and digital alternatives to access financial services more efficiently and automatically.

The strategy will be monitored and measure its success or fail during the planned period. A comprehensive monitoring and evaluation framework will be designed and implemented to ensure the programs achieve the expected results.

At the Banco Central de Timor-Leste, we look forward to working closely with stakeholders to better coordinate programs, align the objectives, and cooperate to lift financial literacy amongst the Timorese.



Abraão de Vasconcelos
GOVERNOR

The Journey so Far

The financial literacy program in Timor-Leste started in 2014 with the Financial Education Awareness Campaign, officially launched by the President of RDTL H. E., Mr. Taur Matan Ruak. The program's main objective is to raise awareness about personal and small business finances and thereby alter spending behaviour to inculcate the habit of saving. It is intended to call attention to financial opportunities and risks and the available ways to manage them through saving, insurance, and financial education. The timeline below shows BCTL's main financial literacy activities since the start of the program.



The Previous Strategic Plan

The first National Strategy for Financial Literacy, developed in 2016, defined five focus areas, action plans, and a comprehensive list of target groups. The degree of implementation of the action plans varied significantly due to the defined priority, the complexity, the relevance, and the involvement of key stakeholders. The table below presents the implementation status of action plans for each focus area.

FOCUS AREAS	IMPLEMENTED	NOT IMPLEMENTED
Building Capacity and Capability of the Sector	<ul style="list-style-type: none"> ◇ Banco Central de Timor-Leste and the Ministry of Education, Youth and Sports conducted Training of Trainers (TOT) sessions for education trainers, schoolteachers, and financial literacy champions. Refresh training is planned for 2022 based on feedback and perceived needs ◇ Train management teams from selected schools to build capacity at the management level 	<ul style="list-style-type: none"> ◇ University students and government employees' groups were not yet part of the Banco Central de Timor-Leste program ◇ Mentor program not yet developed ◇ Community and church leaders were not included as facilitators in the programs, as the priority was MSMEs and schools
Providing Leadership	<ul style="list-style-type: none"> ◇ Working group with the Ministry of Education, Youth and Sports defined with regular meetings ◇ Working group with government ministries or departments defined based on specific programs and initiatives ◇ The Banco Central de Timor-Leste defined a dedicated team to coordinate the implementation of financial inclusion and financial literacy initiatives ◇ The NSFL has been promoted in the regions and to new stakeholders ◇ Banco Central de Timor-Leste developed a separate financial inclusion strategy 	<ul style="list-style-type: none"> ◇ No specific financial sector working group was created due to a lack of interest from the private sector ◇ Dedicated website or webpage not yet developed ◇ No formal advisory group that included public, private, and community sectors were not created ◇ Banco Central de Timor-Leste has decided not to organize an international conference to share best practice models, but it is part of dedicated international forums (AFI and CPLP) to promote financial literacy

FOCUS AREAS	IMPLEMENTED	NOT IMPLEMENTED
Reaching Target Audience	<ul style="list-style-type: none"> ◇ Schools participated in the pilot program. Other schools have joined the program, including rural and isolated areas. ◇ Continued development of partnerships with the government department for programs implementation 	<ul style="list-style-type: none"> ◇ Smart Money Club and Smart Money Champion programs were not yet implemented. Their relevance for Timor-Leste will be evaluated ◇ Specific initiatives to engage women's groups are still under discussion ◇ Link microfinance work with financial literacy initiatives under evaluation ◇ Expand the communication plan to promote financial literacy to other target audiences
Maintaining Quality	<ul style="list-style-type: none"> ◇ The continued improvements in the financial literacy content for MSMEs and elementary school program material based on the feedback and preliminary results ◇ The principle of engagement to implement programs with stakeholders is defined based on the program characteristics ◇ Regular meetings are conducted with key stakeholders involved in the programs implementation and the framework for monitoring and evaluation definition 	<ul style="list-style-type: none"> ◇ The financial literacy competence framework will be developed based on the market needs highlighted in the Demand Side Survey and the initial years of the financial literacy program. The framework will be the base to define broader requirements and standards for future training programs ◇ Additional quality resources will be developed and made available based on the implementation partners' feedback
Sharing What Works	<ul style="list-style-type: none"> ◇ Awareness campaign evaluated ◇ Continued evaluation of the programs implemented (MSME and elementary schools) ◇ Pre and post-financial health check material developed to be included in the training materials ◇ National financial knowledge and behaviour survey covering critical topics included in the Demand Side Survey ◇ The survey conducted and key findings published 	<ul style="list-style-type: none"> ◇ No university pilot has been conducted nor evaluated by the Banco Central de Timor-Leste yet ◇ Implementation of quality standards to be defined based on broader experience ◇ Review the impact of capability building on delivery and reach to target groups not yet conducted

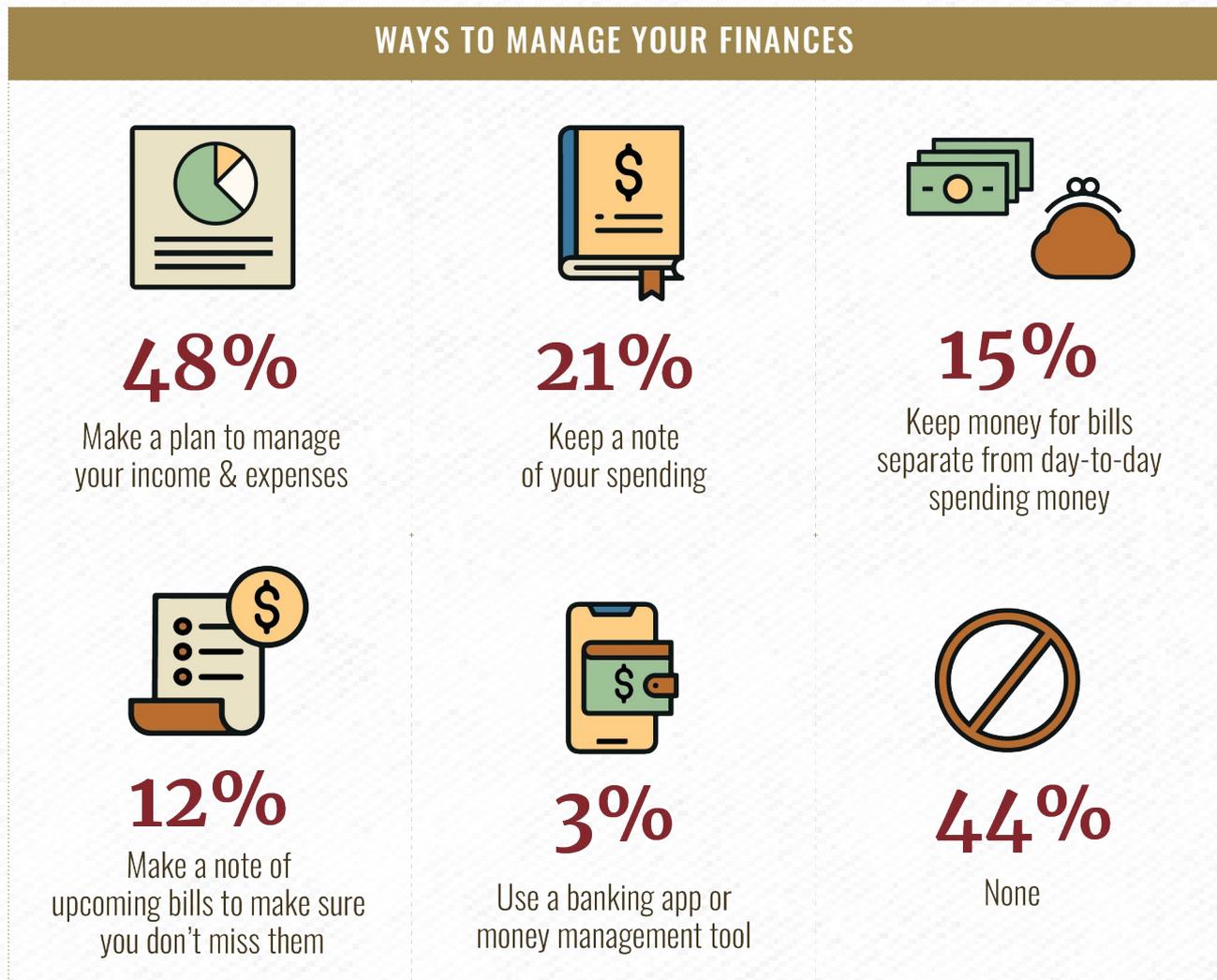
Insights from the Demand Side Survey

In 2020, the Banco Central de Timor-Leste and The Asia Foundation (TAF) conducted the first financial services demand-side survey in Timor-Leste. The data collection took place in October and November 2020, with 909 adults interviewed from all municipalities about their opinion on financial services and financial behaviour. The survey data collection was conducted during the COVID-19 restriction measures, which may have impacted the results.

By presenting the results of the demand-side survey in this planning, it is intended that the initiatives and actions planned for the next five years will help to improve the financial literacy and financial skills and competences of specific segments of the population.

Money Management

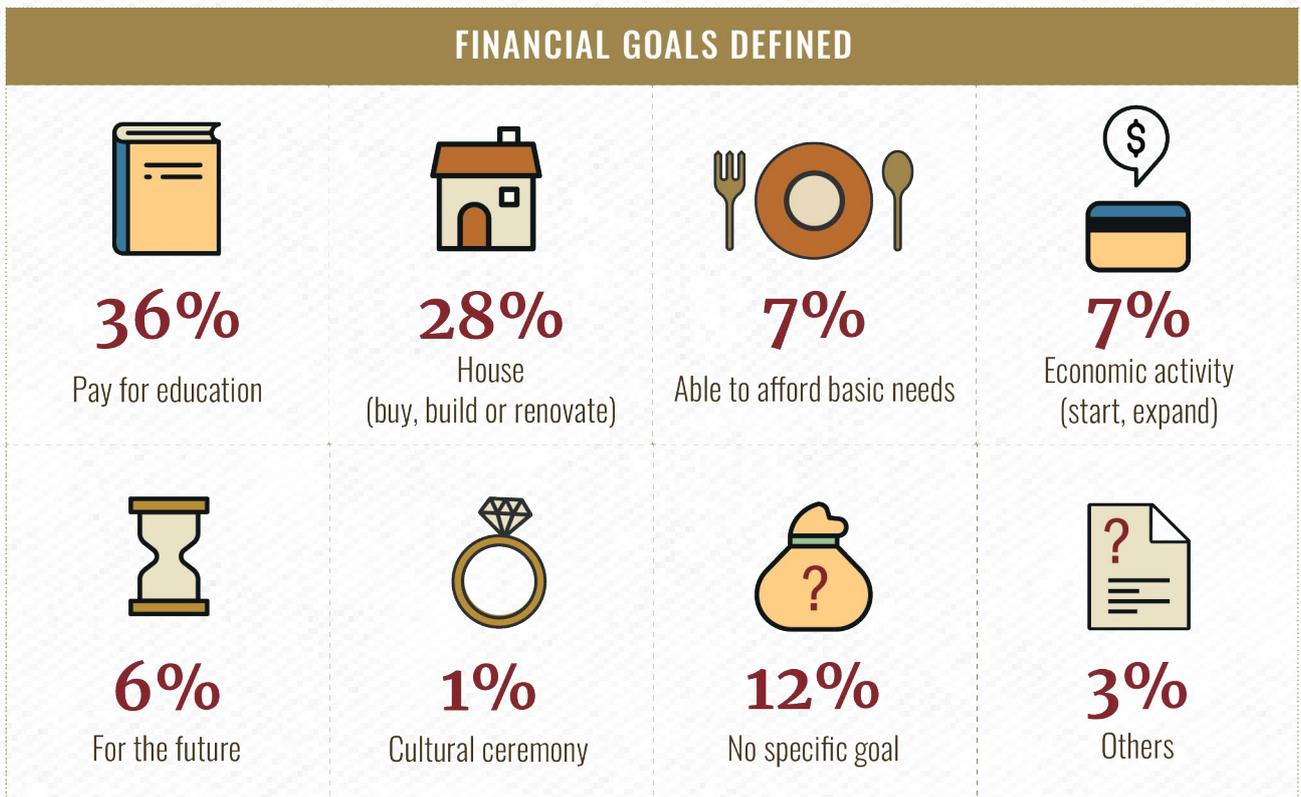
Almost 1 in 2 Timorese develop a plan to manage their finances. However, only 1 in 5 (21%) do take note of their spending. The other half of Timorese does not manage their money at all.



Note: Some questions allowed multiple answers; hence the percentage may add to more than 100%

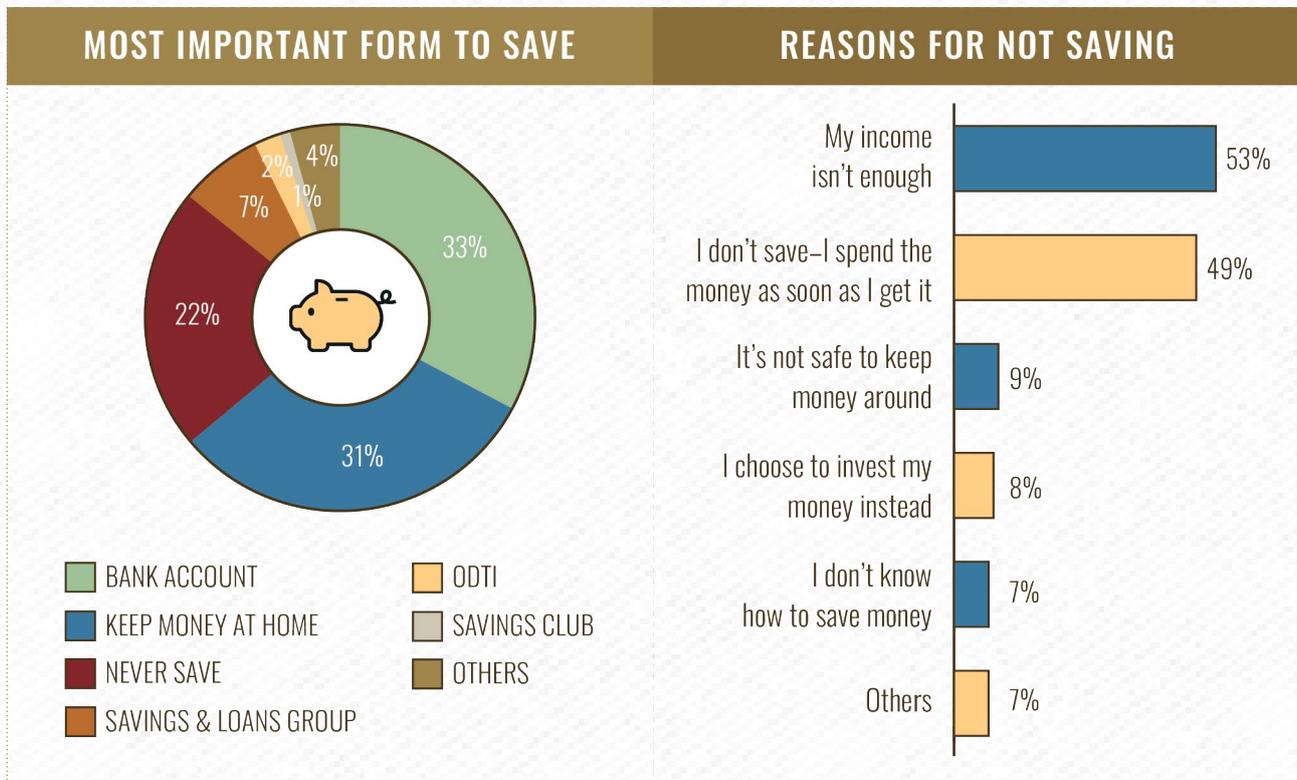
Setting Financial Goals

1 in 2 (53%) mentioned having defined financial goals to pursue. Research suggests that defining a clear goal leads people to save more regularly than those without a goal.



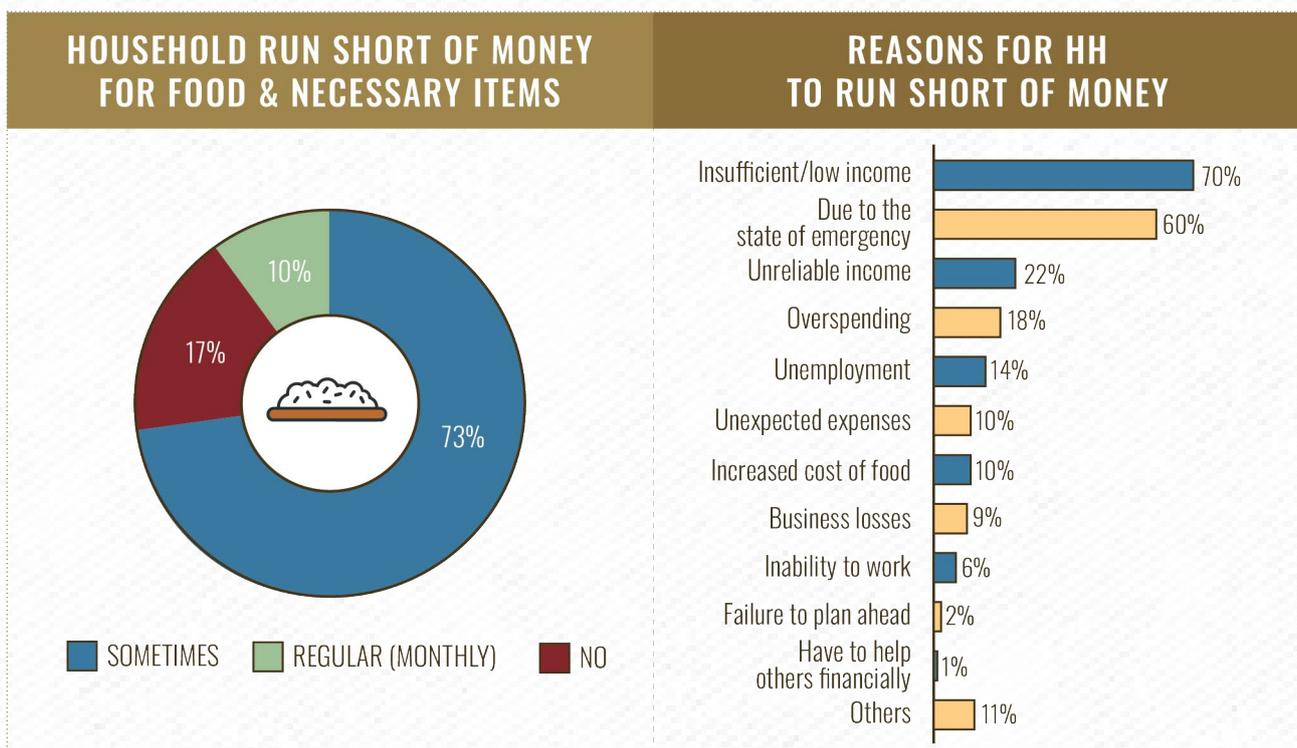
Saving Behaviour

Only 1 in 3 Timorese prefer to use their bank accounts to save money, and 31% prefer to save money at home. Among the 22% of Timorese that never save, half stayed the low income as the main reason, while the other half stated they prefer to spend the money. 7% mentioned they do not know how to save money.



Running Short of Money for Basic Needs

One of the issues of not saving money is coping with income fluctuation. 83% of Timorese reported running short of money for basic needs.



Using Credit

33% of adults never borrow money, and they don't even consider sources of credit. Among the Timorese that use credit, a concerning 20% borrows money to pay another loan. The main reason to borrow money is to pay for the school fees.

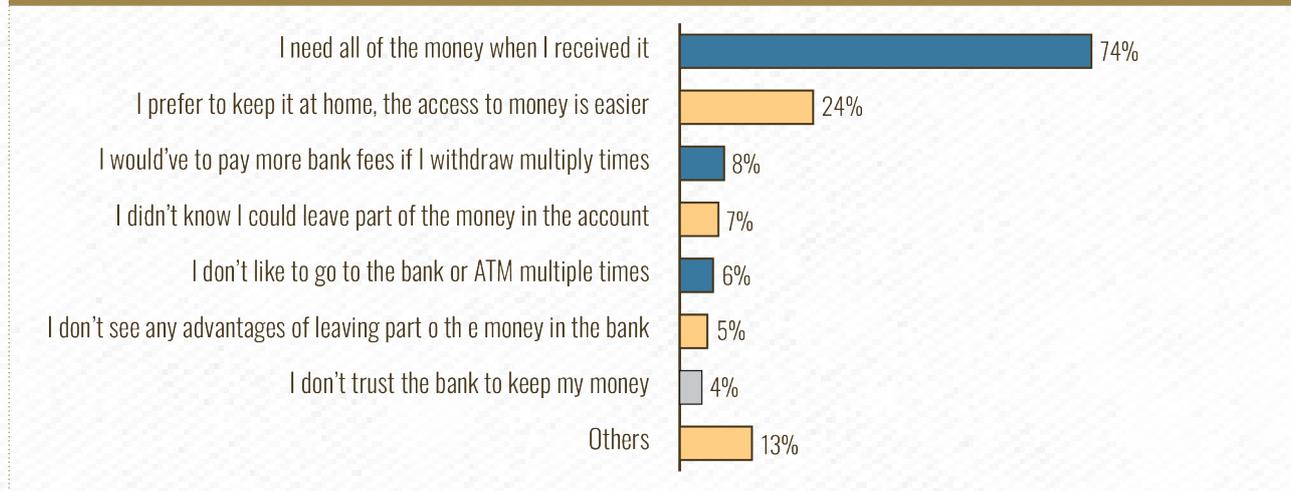
REASONS FOR BORROWING MONEY IN THE LAST 12 MONTHS



Bank Account Usage

78% of Timorese prefer to cash out all the payments received in the bank account as soon as possible, instead of cashing out as and when needed. 7% of them were not even aware they could leave the money in the account, while others are concerned about convenience (24% and 6%); and 8% to avoid additional fees.

ACCOUNT AS MAILBOX: REASONS FOR CASHING OUT ALL THE MONEY AT ONCE AFTER A PAYMENT IN THE ACCOUNT

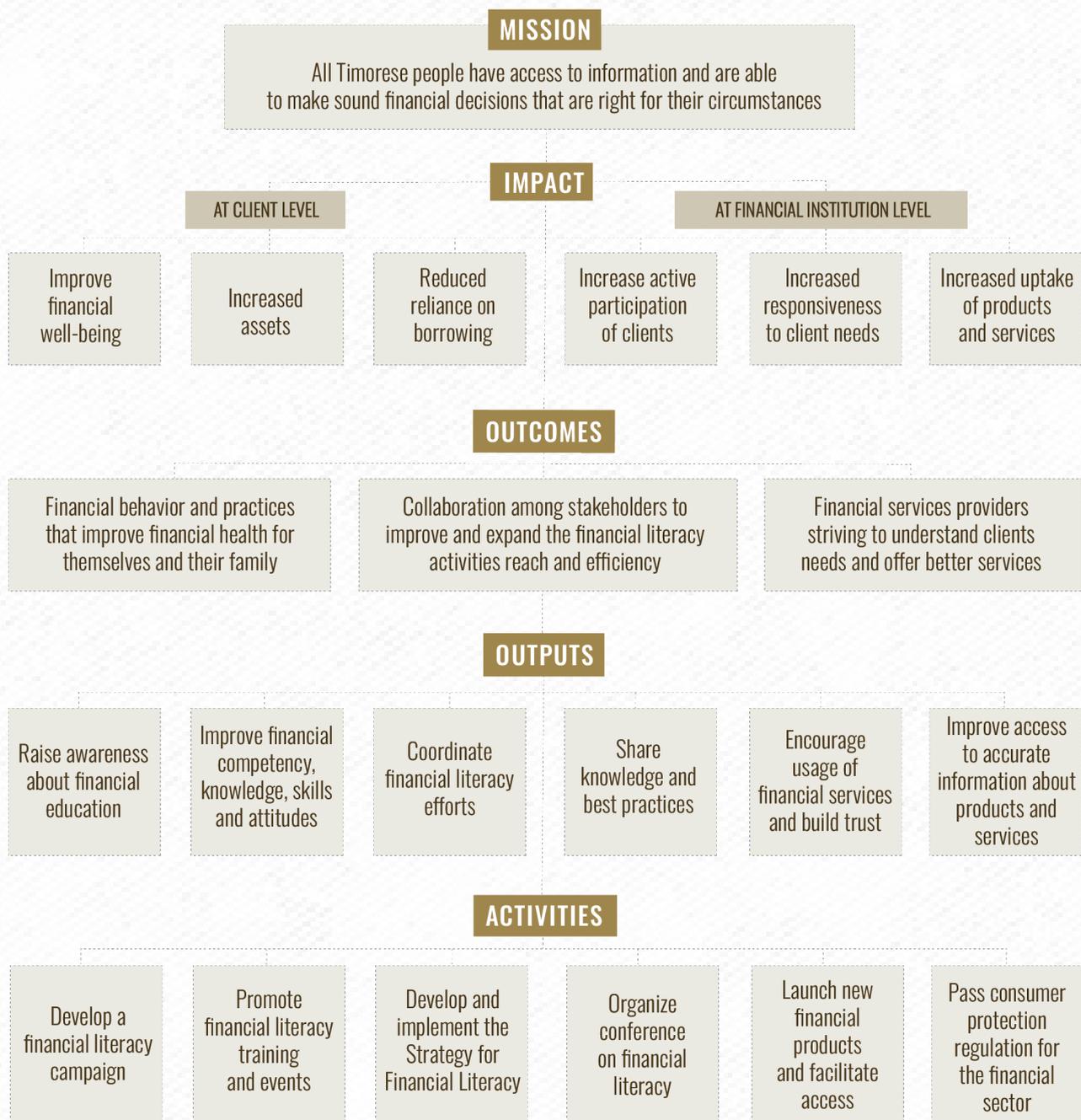


Ability to Calculate Percentages

24% of Timorese declared able to perform calculations with percentages. However, only 6% were able to calculate 10% of 100.

Overview of the Financial Literacy Strategy

The mission and objectives previously defined remain relevant; however, the other components of the theory of change¹ were adjusted to reflect the current scenario better. The recent modernization of the financial sector facilitates access to financial services. It highlights the importance of digital literacy to promote more convenient financial services channels.



¹ Theory of Change (ToC) is a methodology for planning, participation, and evaluation. It defines how inputs are invested in activities that aim to create outputs, outcomes and long-term impact. The theory of change can facilitate informed decisions about strategy and tactics.

Key Target Groups

The target groups defined as priorities for the financial literacy programs in 2016 were:

- ◇ Women's groups
- ◇ Micro, Small and Medium Enterprise sector (MSME)
- ◇ Veterans
- ◇ School children

The Banco Central de Timor-Leste decided to develop a financial literacy program for school children and MSME first. The program for school children is implemented in partnership with the Ministry of Education Youth and Sports. The program for MSMEs is a basic bookkeeping training delivered by IADE and CDEs in all municipalities; this training aims to facilitate MSMEs' access to finance.

Women and veterans are also considered essential target groups; however, programs for these groups were not developed yet. The Banco Central de Timor-Leste will identify potential partners to develop and implement programs over the following years.

However, in the Financial Inclusion Reports data and the stakeholders' consultations, other groups were also highlighted as critical audiences for financial inclusion. These groups are **youth**, **farmers**, and the **informal sector**, with particular attention to women's empowerment to increase women's participation in family financial decisions and the private sector development.

In this plan, the financial literacy program will be split into two categories:

1. To strengthen and expand the programs that have been implemented. In connection with this, financial literacy in this program will focus on MSMEs including cooperatives and financial education for elementary school.
2. Focus on financial literacy through activities to raise public awareness about the importance of financial planning, savings and assets' protection. In conjunction to this, introduce and explaining the financial products currently available in the market will help the public to better select products according to their needs. In this second category, financial literacy initiatives will target specifically women's groups.



Micro, Small and Medium Entrepreneurs and Cooperatives

MSMEs sector is considered the engine for economic development due to its contribution to GDP and job creation. Therefore, promoting the segment is vital for private sector development and a strong economy.

In Timor-Leste, the MSME sector has limited access to finance, primarily due to the limited management skills and financial literacy. The Banco Central de Timor-Leste has developed an MSME bookkeeping training available free of cost to help MSMEs access finance. A government Credit Guarantee Scheme is also in place to facilitate access to finance.

The sub-groups that deserve special attention are women groups, farmers, the informal sector, and cooperatives.

ACTIONS PLANNED: the Banco Central de Timor-Leste will focus on refining the program based on the specific Financial Competency Matrix defined for this group and expanding the program's reach and measuring results. Currently, the Banco Central de Timor-Leste is in the process of identifying relevant partners to develop programs for the identified subgroups.



Children

Inculcating financial literacy concepts from a young age will help children become financially responsible adults. Children can be taught how to save and manage money to develop a positive attitude towards finance.

The partnership between the Banco Central de Timor-Leste and the Ministry of Education Youth and Sports aims to bring financial literacy to all students in elementary education.

ACTIONS PLANNED: the Banco Central de Timor-Leste will strengthen the cooperation with the Ministry of Education, Youth and Sport to expand the program to more schools and define the monitoring and evaluation framework.



Women

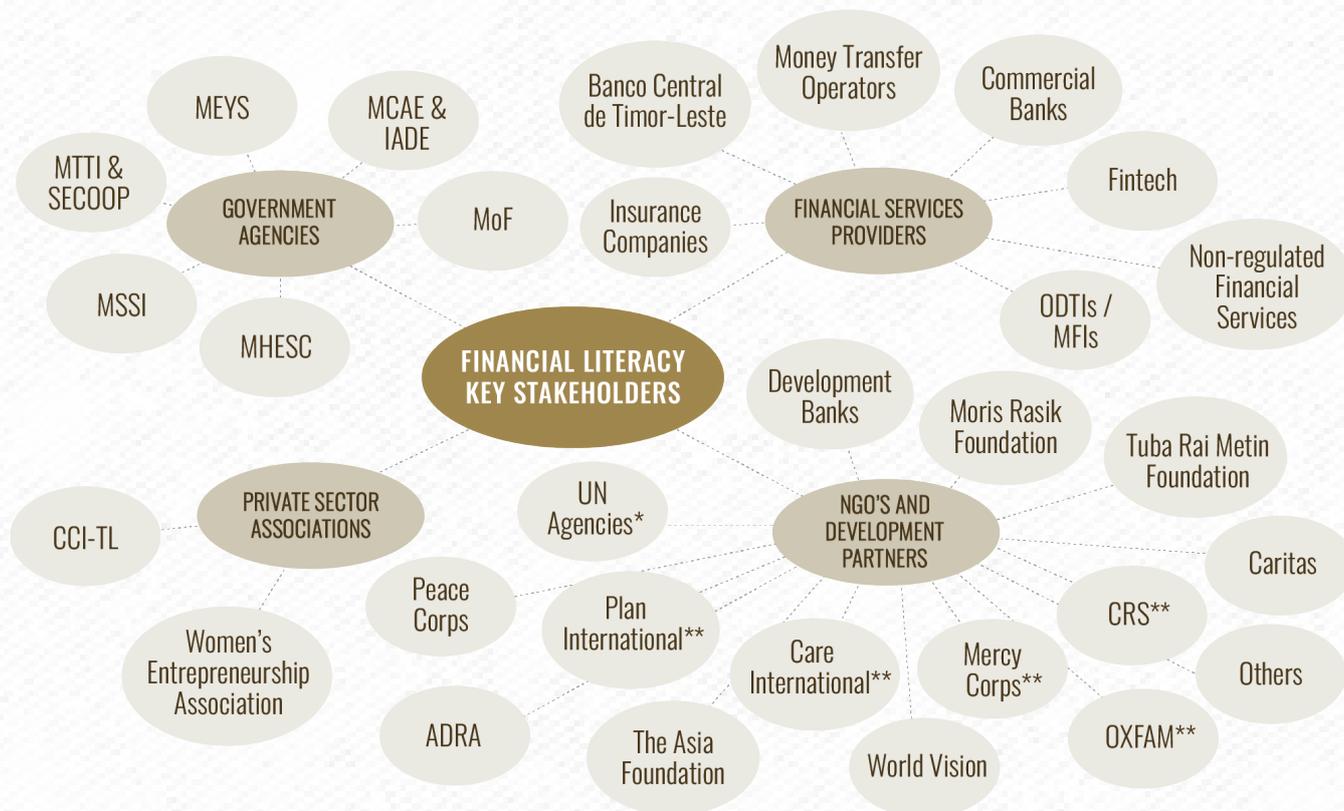
Financial literacy for women is an important aspect of their independence in managing finances. Being financially illiterate can lead to a number of problems related to debt management, poor spending habits, or a lack of long-term preparation. Financial literacy empowers people, especially women, to make decisions independently. During an emergency or unforeseen circumstances, a person can take the right steps if he or she is financially literate.

The Denarau Action Plan of AFI emphasized on the focuses on gender and women's financial inclusion, identifying measures that AFI members can take to increase the number of women with access to quality and affordable financial services globally to close the financial inclusion gender gap.

Investing in women financial literacy can accelerate financial literacy in general and lead to an improvement at the family level.

ACTIONS PLANNED: Banco Central de Timor-Leste will develop specify programs and training modules for women and undertake an awareness campaign about the benefits of financial literacy for their financial planning.

The Stakeholders Maps



There are many organizations involved in financial literacy promotion in Timor-Leste. One of the main objectives of this strategy is to strengthen the collaboration among these organizations, as it can catalyse the financial literacy results and spread its benefits to more segments of the community.

- ◇ The **Banco Central de Timor-Leste** is the leading promoter of financial literacy. It coordinates the stakeholder's efforts, including the development and publishes of the National Strategy for Financial Literacy and the Financial Inclusion Reports. The BCTL financial literacy initiatives include the financial literacy module for elementary school students, partnership with the Ministry of Education Youth and Sports, and the training for micro, small, and medium entrepreneurs. The BCTL receives support from the Alliance for Financial Inclusion (AFI) and the Banco de Portugal (under the cooperation between the Central Banks from the Portuguese Speaking Countries) for its role.
- ◇ The **government bodies** directly involved with are: the Coordinating Ministry Economic Affairs (MCAE), Ministry of Finance (MoF), Ministry of Education, Youth and Sports (MEYS), Ministry of Higher Education, Science and Culture (MHESC), Ministry of Social Solidarity and Inclusion (MSSI), Minister of Tourism, Trade and Industry (MTTI).
- ◇ Many development partners and non-governmental organizations actively promote financial education training as a component of their programs. They focus on basic business skills, including money management, promotion of savings, and support to Village Savings and Loans Associations (VSLAs).
- ◇ Most financial services providers actively promote financial literacy through training, events, sponsorship, collaboration with other organizations, and information sharing activities.

Notes:

(*) UN Agencies with activities or perceived interest in financial literacy: UNCDF, UNDP, UNICEF, UNWOMEN, and UNESCO

(**) International NGOs promoting Village Savings and Loans Associations (VSLAs or SILCs)

The Strategy's Action Plans

The strategy is divided into four focus areas; each includes a set of action plans to be implemented over the next five years. The implementation of action plans relies on the key stakeholders' collaboration and initiative coordination.

FOCUS AREA 1: BUILDING THE CAPACITY AND CAPABILITY OF THE SECTOR		TIMEFRAME
1.1	Define the Financial Competency Matrix (for Women, Children, and MSMEs)	2022 - 2023
1.2	Develop specific programs and modules for women and undertake an awareness campaign about the benefits of financial literacy for their financial planning	2023 (ongoing)

FOCUS AREA 2: REACHING THE TARGET AUDIENCE		TIMEFRAME
2.1	Organize regular events to raise awareness, and knowledge (e.g., National Savings Day, Global Money Week, National Program on Digital Village)	2022 (ongoing)
2.2	Scale up the Financial Literacy program for elementary schools, and consider expanding the program to include students from the 3rd cycle	2023 (ongoing)
2.3	Define and implement financial literacy programs for the other prioritized target groups (free of product and service promotion/ endorsement)	2023 (ongoing)
2.4	Create an online platform for training on financial literacy	2024

FOCUS AREA 3: WORKING TOGETHER		TIMEFRAME
3.1	Establish working groups to implement the specific initiatives, with regular meetings with principal stakeholders.	2022
3.2	Regular coordination with MEJD on the possibility of including financial literacy in the curriculum, especially in mathematics in the 3rd cycle of elementary schools	2023 (ongoing)
3.3	Create a website, or a Facebook page, to share information and resources	2024
3.4	Design Mascot and financial literacy animations video	2025

FOCUS AREA 4: MAINTAINING QUALITY AND SHARING RESULTS		TIMEFRAME
4.1	Ensure effective market conduct from financial services providers and establish consumer protection mechanisms	2023 - 2024
4.2	Develop, implement M&E tools for the key programs, and publish the results	2023 (ongoing)
4.3	Conduct a National Financial Knowledge and Behaviour Survey	2026 - 2027
4.4	Review the Strategy and define the process for the next 5-year cycle	2027

The Process to Develop this Strategy

The process to develop the second cycle of the National Strategy for Financial Literacy started with evaluating the action plans implemented as part of the first strategy document. The status of each action plan, the challenges faced, and the results achieved provided valuable data on developing a more effective plan for the next five years.

The financial inclusion publications from the Banco Central de Timor-Leste² were also instrumental in providing data on the level of financial inclusion and how it differs across the country regions and population segments. Over the last few years, the improvement in the distribution of the different types of financial services access points, especially digital financial services, uncovered trends and facilitated access to financial services.

The first financial sector demand-side survey provided evidence of the financial literacy level, awareness of concepts, usage of financial services available, and common financial behaviours and their reasons. The survey result stresses the need for a more holistic approach to promote financial literacy in the country.

A wide range of stakeholders was identified and collaborated with the development of the document. The Banco Central de Timor-Leste conducted interviews to collect information on the financial literacy initiatives and discuss the main topics of the strategy.

Finally, the Banco Central de Timor-Leste would like to thank all the stakeholders actively promoting financial literacy to their clients and beneficiaries, which contributed to the development of this strategy.

² The National Strategy for Financial Inclusion available at <https://www.bancocentral.tl/en/go/national-strategy-for-financial-inclusion>
The Financial Inclusion Report 2016, 2018 and 2020 editions available at <https://www.bancocentral.tl/en/go/financial-inclusion-report>

Acronyms and Abbreviations

AFI	Alliance for Financial Inclusion
BCTL	Banco Central de Timor-Leste
CCI-TL	Câmara de Comércio e Indústria de Timor-Leste
CDE	Centro Desenvolvimento Empresarial
COVID-19	Corona Virus Disease-2019
FL	Financial Literacy
GDP	Gross Domestic Product
IADE	Instituto de Apoio ao Desenvolvimento Empresarial
MEJD	Ministério da Educação, Juventude e Desporto
M&E	Monitoring and evaluation
MoF	Ministry of Finance
MSME	Micro, Small and Medium enterprises
MHESC	Ministry of Higher Education, Science and Culture
MSSI	Ministry of Social Solidarity and Inclusion
MTTI	Minister of Tourism, Trade and Industry
NEET	Not in Education, Employment or Training
NGO	Non-Government Organization
NSFL	National Strategy for Financial Literacy
ODTI	Other Deposit Taking Account
RDTL	República Democrática de Timor-Leste
SECOOP	Secretaria de Estado de Cooperativas
TOT	Train of Trainer
UN	United Nations



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