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The present document is a Draft Towards a National Strategy aimed at improving the financial literacy and capabilities of Lebanese citizens. It was elaborated in collaboration with the Institut des Finances Basil Fuleihan.

The proposed approach was discussed on the occasion of the National Conference on Financial Capabilities jointly organized by the Association of Banks in Lebanon, the Ministry of Finance-Institut des Finances Basil Fuleihan, the Ministry of Education and Higher Education, and with the collaboration of the OECD International Network for Financial Education, in October 2015.

The proposed framework is also based on the results of the National Financial Literacy Measurement Survey implemented by the Institute of Finance and the World Bank in 2012 and of experts focus groups organized in 2013.



TOWARDS A NATIONAL STRATEGY FOR FINANCIAL EDUCATION: HIGH-LEVEL PRINCIPLES

Financial literacy, financial capability and consumer protection have been in focus for the past few years in most countries around the world, equally in developed and in less developed countries. The mounting interest in understanding financial literacy and its implication on financial stability has indeed common roots across countries. In the aftermath of the international financial crisis in 2008, and following the adverse effects that the crisis had at the level of consumers, communities and economies at large, further attention was given to the concept of financial literacy. In response, International Organizations recognized that the lack of financial literacy was one of the contributors to the financial crisis and particularly to its exacerbation, and hence called for designing responses and policy initiatives at the level of improving financial education.

The Organization for Economic Cooperation and Development (OECD), mainly through its International Network on Financial Education (INFE)¹ conducts researches and develops tools to support policy makers and public authorities to design and implement national strategies for financial education. Among these tools are the High-level Principles on National Strategies for Financial Education endorsed at the G20 Leaders summit in June 2012.

The major stages to be followed while developing the strategy – as per these principles- are as detailed below:

1 The Preparatory phase consists of collecting evidence on the national needs and gaps in terms of financial education. It entails several steps, including mapping existing resources and stakeholders, conducting a baseline survey to assess financial literacy level and a consultation process to gather feedback from different stakeholders and ensure their buy-in of the potential strategy.

¹ OECD/INFE progress report on financial education for 2014 (For 2011-2014 data), based on the 110 countries that are members of the INFE network.

2 The second phase identifies the proper governance mechanism to follow up on the implementation of the strategy, and the identification of the roles associated with each stakeholder (or group of stakeholders).

3 The third phase consists of developing the Towards a National Strategy by setting objectives and priority activities that should be implemented along with the resources.

Several countries in the world started developing their own strategies, given the importance of such strategies and their role in enhancing financial capabilities and in mitigating risks associated with financial developments. The number of countries developing or implementing financial education strategies significantly increased over the past five years rising from 26 countries in 2011, to 45 countries in 2013, up to 55 countries in 2014, reaching 59 countries in 2015, in addition to five more countries which are still in the planning stage. These countries are at different stages in strategy development and implementation, as shown below:

Number of countries at various stages of national strategy development (2015)²

Status of the national strategy (NS)	# of countries
A NS is being revised or a new one is being prepared	11
A first NS is being implemented	23
A NS is being actively designed	25
A NS is being planned	5
Total	64

² National Strategies for financial education, OECD/INFE policy handbook, 2015

The development of national strategies for financial education was not limited to developed economies such as USA, Australia, Netherlands, New Zealand and United Kingdom. Several developing countries started already- or are in the process developing similar strategies, such as some countries in South America (Brazil, Chile, Argentina Colombia,...), Africa (Morocco, Nigeria, Tanzania, Zimbabwe,...) as well as East Europe (Czech Republic, Croatia, Latvia, Slovak, etc...). Moreover, some of these countries are currently revising their strategy or in the process of implementing a second national

strategy for financial education (such as Australia, Singapore, Japan, Malaysia, Spain and United Kingdom).

Lebanon maturely went through the first two stages of the three stages referred to by the high-level principles stated above. Lately, a national conference was held, and stakeholders share their views on the different pillars and recommended policy measures that can be done to address the issue of financial and economic literacy, and to mitigate potential effects on financial stability.



Defining scope, purpose, existing gaps, major stakeholders and consultation in Lebanon

Over the past years, several efforts were put forth to collect evidence on the scope and magnitude of financial literacy, gaps and needs, in addition to existing initiatives and stakeholders. Also, iterative consultation process was initiated with the identified stakeholders to fine-tune the results and to ensure the ownership by the different stakeholders.

1 | Definition and Importance of financial literacy in the Lebanese Context

1.1 | FINANCIAL LITERACY: DEFINITION

Financial literacy is a wide concept that includes financial knowledge, skills, attitudes and behavior. The level of financial capability affects management of expenses of individuals, their short and long term plans, and certainly affects their choice of financial products. Many factors shape financial capability, including availability of proper early financial education, availability of information, decision-making process within the family, availability of national social protection systems, political and security stability, transparency in the financial and fiscal sectors, and many others. Financial capability of Lebanese citizens was measured through the level of knowledge of key financial concepts such as inflation, interest rate, compound interest rate, real interest rate and exchange rate³. Results of the survey revealed that Inflation and compound interest rates were not properly grasped by majority of the Lebanese individuals. Meanwhile simple interest rate and real interest rate were much easier to comprehend by the majority. Better knowledge of the different financial concepts was correlated with variables such as higher level of education, gender, regions, as well as being middle age.

Meanwhile, financial skills such as calculation of percentage and discount rates are apparently acceptable for majority of individuals who were able to do proper calculation. However, it was noted that a high percentage of interviewed individuals- who are 65 years old and above- gave incorrect answer for simple calculation questions. The Lebanese population is tending more and more to be an aged population, with 8 percent currently aged 65 years and above. Furthermore, financial knowledge is essential for this category of people, mainly those who are paid a lump-sum amount as an end-of-service indemnity, and they should know how to invest, to assure a

flow of decent annuity sufficient to sustain their living during their retirement.

Improving financial capability is not only about enhancing knowledge and skills of people, but it is also about positively changing behavior and attitude towards financial products. This should be done at different levels starting from formal education at school, tailored courses for selected population segments (women, old-age, etc.) and also through continuous awareness raising to be done by commercial banks and other providers of financial services. Improving financial literacy is considered as a key factor in contributing to protecting consumers of financial services.

Financial education is defined by OECD as “the process by which financial consumers/ investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”. Meanwhile, financial literacy is defined as “the ability to use knowledge and skills to manage financial resources effectively for a life-time of financial well-being”.

³ In 2011, Lebanon was selected as one of the pilot countries for implementing the Financial Literacy Measurement Survey, launched by the Russia Trust Fund and the World Bank. The National Survey was conducted by the Consultation and Research Institute (CRI), further to the request of the Institut des Finances Basil Fuleihan (IoF). Lebanon was chosen by the World Bank among eleven pilot countries to take part in the survey that aimed at assessing the financial capabilities of the population. The field work part of the survey was finalized in 2012, using a representative sample of 1214 individuals spread all over the Lebanese territory.



1.2 IMPORTANCE OF FINANCIAL LITERACY IN THE LEBANESE CONTEXT

A legitimate concern might be raised regarding the relevance of financial literacy and education in the Lebanese context, and to what extent could better financial literacy and education be correlated with the well-being of the Lebanese individuals and society. Common challenges facing countries in this context are the diversification and complexities of banking and financial products long-term saving, pension and social protection.

Despite the fact that financial products are not widely diversified in Lebanon, however, the limited exposure of Lebanese population to these products and their limited level of financial knowledge are considered as a challenge to be addressed. Also, the country has several challenges, which call for giving high priority for enhancing financial literacy of citizens. The most prominent of these challenges are summarized below:

a) Macro-economic and fiscal uncertainties

Over the past decade (2005-2015), Lebanon went through several phases of macro-economic developments, mostly marked by uncertainty and instability. The era was practically characterized by alternating trend of growth, increasing trend of fiscal deficit, alarmingly growing debt-to-GDP ratio, rising political tension, in addition to slow implementation of administrative and economic reforms. Additionally, the regional turmoil and the influx of Syrian refugees have lately imposed further pressure on Lebanon's already fragile situation. These challenges had great financial implications upon the Lebanese society, and hence are requiring prudent economic and fiscal policies to mitigate the impact upon the living standards of the citizens. Towards this end, it is imperative that financial and economic education be an integral dimension in any remedial and preventive policies that the government and state institutions should develop and implement. The indicators that governed the country during this period had always suggested that Lebanon is at the verge of a crisis. However, and despite the external and internal pressures, the Lebanese economy showed a strong resilience. Following the surge in economic growth in the aftermath of 2006 hostilities, that peaked in 2010 at 10.3 percent⁴, a sharp decline in 2011 and thereafter was reported. The lowest rate was reported in 2013 at less than 1 percent (0.9

⁴ Lebanon Economic Monitor (LEM), World Bank, Spring 2015

percent). This decline came as result of an accumulation of factors, most importantly the continuity of clashes in Syria and spillover of security tensions into Lebanon, in addition to the political stalemate, and the aggravation of the socio-economic conditions as a result of the increasing influx of Syrian refugees. The growth rate is estimated at a relatively modest level of 2 percent in 2014. No official estimate for growth rate is yet released for 2015; however, available estimates expects that the Lebanese economy will grow at the same modest rate reported in 2014, i.e. 2 percent⁵.

At the fiscal level, the utmost challenge remains the absence of a voted budget to regulate expenditure and collection, and to impose a fiscal discipline upon the government. The last voted budget is 2005 budget law, after which no budget was approved, though several draft laws were transferred to parliament. Likewise, end-of-year accounts have not been finalized since 1993, which is also resulting in a major transparency issue facing public finance.

Outturn figures for the past ten years revealed an alternating trend of deficit levels. After being considerably contained over the period 2007-2010 reaching a low level of 6 percent of GDP, fiscal deficit regained its ascending trend as of 2012 to reach around 10 percent of GDP in 2012, which is one of the highest deficit rates

⁵ LEM, World Bank, Fall 2015

reported in the past decade⁶. It mainly resulted from the salary adjustment that took place during 2012, to correct in the loss of purchasing power, and also as a result of slowdown in growth that affected drastically fiscal revenues that barely grew during the same period. Likewise, primary surplus that reached as high as 4 percent in 2011, turned into a primary deficit in 2012 and 2013. In 2014, fiscal balance reported an improvement, with overall fiscal deficit narrowed down to 6.6 percent of GDP, while reporting a primary surplus of 2.6 percent of GDP. 2015 is expected continue with high level of deficit in overall fiscal balance close to 7.2 percent, while continuing to maintain primary surplus of 2.6 percent⁷.

The deterioration of fiscal balance had a direct impact upon public debt growth that drastically increased in absolute terms to reach around LL 67,866 billion (around USD 63.8 billion) end of 2014. Meanwhile, the debt-to-GDP ratio that was significantly lowered during 2012 to reach as low as 134 percent of GDP, resumed its ascending trend in 2013 to record 141 percent. The ratio is estimated to exceed 150 percent end of 2014. The debt trap in Lebanon is high linked to the primary fiscal imbalances reported over the year and the high interest rate that inflated the debt service cost.

b) Weakness of pension and social protection system

Financial inclusion and financial capability (and their interaction) will primarily affect the long term planning of individuals, mainly their end-of-service plans. Old-age pension and social protection sounds as one of the most critical issues facing the Lebanese society.

⁶ Fiscal Annual Reports 2008-2013, Ministry of finance

⁷ LEM, World Bank, Fall 2015

In Lebanon, only employees of the central government are enjoying an old age pension plan. Total employees in the central government, including military and civil servants, are estimated at 140,000 employees, in addition 45000 pensioners. It implies that only 11 percent of the active labor force will potentially enjoy a pension plan. The pension plan offered by the government is still also problematic as it is a pay-as-you defined-benefit system and is imposing heavy burden on the government fiscal position. In 2013, retirement and end-of-service compensations summed up to LL 1,831 billion which is estimated at 9 percent of total public expenditure. Spending on retirement and end-of-service indemnity is ranked third in burden following debt service and the contribution to EDL.

On the other hand, around 47.8 percent of the Lebanese population are currently members of the National Social Security fund (Health Branch). The majority of these members (those who are part of the end-of-service branch) are not entitled to pension pay upon their retirement and accordingly they would be facing great uncertainties at the age they mostly need to feel secure. The end-of-service indemnities provided through the NSSF are judged not to be sufficient to ensure a decent life for the retiree over the retirement period. Additionally, the scheme members become ineligible to benefit from the health insurance branch of the NSSF once they reach retirement age, which imposes further burden on the retirees.

Meanwhile, and despite the absence of pension system in the private sector, Lebanese individuals seem not concerned about having alternative long-terms saving plans, as only 1.4 percent are members of special retirement fund.



2 | Mapping of initiatives/existing stakeholders

MINISTRY OF FINANCE -THE INSTITUT DES FINANCES BASIL FULEIHAN (IoF)

Throughout the period 2002 to 2009, the Institute published series of user-friendly 'Citizens Guides' intended to educate individuals on a variety of issues such as labor market rights, or fiscal awareness.	In 2009-2010, the MOF and the MEHE established a partnership to increase the level of EFL among the youth through a capacity building program for economics teachers of the public secondary schools: "Capacity Building Program for Public School Teachers". The project included 10 training workshops and had an impressive outreach covering all Lebanese governorates and regions.	The MOF and the MEHE signed a Memorandum of Understanding (MOU) to promote economic and financial education through a variety of activities. An on-going project (2010-2012) consists of promoting EFL among the youth through interactive educational tools and games
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MINISTRY OF EDUCATION AND HIGHER EDUCATION (MEHE)

'Sociology and Economics' courses were introduced as part of the curriculum of secondary classes and particularly in the 12th grade (as of 1997).	At lower educational levels, namely in middle school, economic and financial concepts are usually taught within geography and civic education classes.	MEHE through the National Center for Research and Development is currently in the process of initiating an initiative to modernize the curricula.
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THE CENTRAL BANK (BDL)

The Central Bank issued several circulars to ensure acceptable level of transparency and information disclosure by the banks and financial institutions towards clients (circular 124 in May 2010 and circular 134 in February 2015)	The Training and Development Department at the Central Bank has been offering training sessions with more than 23,000 trainees between 1996 and 2010, distributed between in-house employees, members of various local and regional financial institutions as well as college students.
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MINISTRY OF SOCIAL AFFAIRS

Responsible of people with special needs who might be considered financially vulnerable such as women in rural areas, disabled, elderly and others. The Ministry has geographic outreach through the Social Development Centers and training centers.	The Ministry of Social Affairs, through the Higher Council for Childhood, collaborates with the international NGO Child and Youth Finance International on issues of financial education
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ASSOCIATION OF BANKS IN LEBANON

ABL acts as a cooperation and coordination mechanism among the members banks.	ABL works with concerned authorities to develop regulations and promulgate legislations in order to develop the banking sector	ABL produces researches and studies related to financial sector as well as to human resources working in the banking sector.	ABL works towards improving the competences of human capital in the banking system. Towards this end, ABL provided training to more than 24600 banking staff over the period 2005-2015.
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MINISTRY OF ECONOMY AND TRADE

Official body in charge of monitoring and implementing consumer protection law and regulations	The Ministry hosts the Consumer Protection administration and is equipped with more than 100 consumer protection controller.
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NGOS

NGOs providing financial services (micro-credits) targeting unbankable individuals (such as Majmoua, Emkan and others)	NGOs providing special financial education programmes such as Aphlaton, InJaz	NGOs promoting citizenship and fiscal and financial transparency (Sakker Eldekkeneh)	NGOs promoting consumer protection such as Consumers Lebanon
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EDUCATIONAL AND TRAINING INSTITUTIONS

Universities and colleges	Public and private schools	Other public and private training centers
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3 | Assessment of needs

Given the scarcity of data available on financial literacy and inclusion, a national survey was conducted by the Institut des Finances Basil Fuleihan (IoF) in 2011 that provides a baseline dataset used as benchmark for measuring financial literacy and financial inclusion⁸. Data gathered through this survey are used in the design of the current national strategy, mainly to design the appropriate policies and propose core activities needed to address the shortcomings encountered in Lebanon, and to mitigate any impact of financial or fiscal imbalance upon citizens, as well as to improve financial stability. The national findings in terms of the five main pillars that were addressed in the survey are summarized as follows:

3.1 | Financial Education

The level of financial capability affects the ability of individuals to manage their daily expenses, their short and long term plans, and certainly affects their choice of financial products. Many factors shape financial capability, including availability of proper early financial education, availability of information, decision-making process within the family, availability of national social protection systems, political and security stability, transparency in the financial and fiscal sectors, and many others. The survey attempted to test and measure financial capability of Lebanese citizens, through measuring the level of knowledge of certain financial concepts such as inflation, interest rate, compound interest rate, real interest rate and exchange rate. The survey concluded that Inflation and compound interest rates were not properly grasped by majority of the Lebanese individuals. Meanwhile simple interest rate and real interest rate were much easier to comprehend by the majority. Better knowledge of the different financial concepts was correlated with the following variables:

- Higher level of education
- Gender (Being a male)
- Regions where Bekaa reported the highest knowledge
- Being middle age (not too young and too old)

Meanwhile, financial skills such as calculation of percentage and discount rates are apparently acceptable for majority of individuals who were able to do proper calculation.

⁸ Survey on financial capabilities, the Institut des Finances Basil Fuleihan (IoF) and Consultation and Research Institute, 2011

3.2 | Consumer Protection

According to the World Bank, the aim of financial consumer protection is to set clear rules of conduct for financial firms regarding their retail customers. In a more elaborate definition, "financial consumer protection aims to ensure that consumers: (1) receive information to allow them to make informed decisions, (2) are not subject to unfair or deceptive practices and (3) have access to recourse mechanisms to resolve disputes⁹. It encompasses "Financial consumer protection encompasses the laws, regulations, and institutional arrangements that safeguard consumers in the financial marketplace". In Lebanon, around 32 percent of individuals consider that there is no sufficient information about the financial products. The majority of the Lebanese individuals are aware of the consumer protection department, as 84 percent of interviewed individuals reported that they heard of it.

Meanwhile, the financial consumer protection regulations in Lebanon are very recent (circulars 124 and 134 of the Central Bank). Theoretically the regulations seem in line with the international best practices as to the main principles that should be covered by consumer protection provisions mainly: 1) the legal and regulatory framework, 2) the institutional arrangements, 3) fair treatment, 4) disclosure requirements, 5) responsible lending, 6) dispute resolution and recourse, 7) financial literacy. However, implementation of these regulations is still at very early stage to assess to what extent consumers are being provided with the necessary safeguards.

⁹ Good practices for financial consumer protection, World Bank, 2012

On another front, regulations pertaining to consumer protection in securities' business activities are being issued and monitored by the Capital Market Authority (CMA). The authority issued several regulations towards this end, such as series 3000 on business conduct regulations (January 2015) and series 4000 on market conduct (January 2015). Also, several decisions have been issued and enforced to manage conflict of interests and promote transparency, information sharing and disclosure policies (decision # 1 dated June 2013 and decision # 6 November 2013).

3.3 | Pension and Social Protection

The major issue about pension and social protection is the very low coverage of the pension system as it is only restricted to employees of the public sector, mainly the public administration. Public administration employees benefit from a pay-as-you-go defined-benefit scheme fully funded by the government. Meanwhile private sector employees are either members of the NSSF end-of-service indemnity scheme, or they don't have any retirement scheme, mainly those who are workers in the informal sector, self-employed or simply private sector employees undeclared for the NSSF as mentioned earlier. Lebanese individuals are not really aware of the absence of this basic right that, to have a decent income at retirement and to be socially protected in terms of having access to health and social care. Only 31 percent of the Lebanese know that the National Social Security Fund is not offering a retirement plan for its members. Meanwhile, merely 1.4 percent are members of special retirement fund¹⁰.

¹⁰ Survey on financial capabilities, op.cit.



3.4 | Citizenship, Governance and Accountability

Citizenship, governance and accountability can be partially measured by the extent of individuals' knowledge about basic concepts of public finance, including budget revenues and expenses, budget deficit and public debt. Around 74 percent of people managed to know that the government budget entails both revenues and expenses of the government, against 22 percent who did not actually know. Majority of people can tell the exact definition of budget deficit. Meanwhile, when getting deeper about fiscal literacy, people don't seem to be very well informed about fiscal policy instruments. Only 48 percent of people believed that the Government could solve the issue of deficit by increasing taxes. Meanwhile, cutting expenditure was advocated by 83 percent advocated cutting public expenditure as a way of managing deficit. Debts service was defined correctly by only 44.5 percent of interviewed individuals as paid interest, meanwhile the rest had a misconception to what debt service exactly is. Generally, most of the Lebanese know what public spending is actually funding. However, the survey identified that the Lebanese perceived this spending differently. More than 80 percent of the Lebanese defined public spending as funding the wages of public sector employees. Meanwhile, only 67 percent considers that public spending is supporting the funding social needs.

3.5 | Financial Inclusion

The level of financial inclusion in Lebanon seems controversial and different rates were reported during the past years.

The national survey on financial capabilities (2011) shows that only 25 percent of Lebanese individuals possess a saving account, meanwhile current accounts are held by 23 percent of individuals. Much lower rates are reported as financial products get relatively more complicated, namely in the case of insurance and loan products¹¹.

Meanwhile, according to the Global Index 2014, 47 percent of Lebanese adults are holding banking account, compared to a ratio 70.5 percent reported in similar upper middle countries. Much lower rates are reported for formal saving and formal borrowing reporting 18 percent and 16 percent of adult population respectively^{12 13}.

¹¹ ibid

¹² Global Index 2014, World Bank: The Global index database provides in-depth data on how individuals save, borrow, make payments, and manage risks. It is the world's most comprehensive database on financial inclusion that consistently measures people's use of financial services across countries and over time.

¹³ The variations between the two sources on financial inclusion could be attributed to time difference between the two surveys in addition to other methodological aspects such as sampling framework, questionnaire, interview techniques and other factors. The analysis of such difference is beyond the scope of this framework document.

In any case, there is yet a room to increase financial inclusion in Lebanon by increasing access of the Lebanese individuals to financial products in formal banking institutions, given the size of the banking sector in Lebanon and its geographic outreach. In fact, Lebanon reported the ratio of 28 bank branches per 100,000 adults in 2014¹⁴, which ranks Lebanon as one of the highest 5 percentile in the world in terms of per-capita operating bank branches. The survey shows that the percentage of adults having access to financial services is relatively modest. It is highest in access to saving accounts which are held by around 25 percent of Lebanese adult individuals¹⁵. Many variables affect access of Lebanese to saving accounts, current accounts, debit and credit cards, which are the main products held by the Lebanese. Generally, low access to financial services is found correlated with:

- Geographic regions having lowest number of bank branches and reporting the highest incidence of poverty.
- Low level of income
- Work in the informal sector
- Low level of education (complementary and below)
- Gender segregation appeared more clearly in access to current accounts as only 19 percent of female having access to this account. Also, another gender difference appears clearly in access to life insurance products as only 5 percent of female had access to this product.

Generally Lebanese individuals have low access to loans, housing loans, and life insurance products. Meanwhile the relatively low access can be attributed to supply side factors, such as the legal and regulatory framework, geographic concentration of banks, communication and outreach.

¹⁴ Association of Banks in Lebanon, 2015

¹⁵ Survey on financial capabilities, op.cit



4 | Consultation process

Following the compilation of national data on financial literacy and inclusion¹⁶, consultations were held among key stakeholders and informants in the public, private and NGO sectors, in the form of focus groups¹⁷. These meetings discussed variety of topics related to financial capability and inclusion, such as financial education at schools, pensions and social protection policy, financial inclusion and gender, consumer protection, citizenship, good governance and accountability, in addition to banking and other financial services.

The meetings were attended by potential partners in financial education initiatives including Ministry of Finance, Ministry of Education and Higher Education, the Central Bank, Association of Banks in Lebanon, universities, teachers, commercial banks, media representatives, Insurance companies, International Organizations, micro-finance NGOs, and Women NGOS.

These consultation meetings attempted to gather qualitative evidence to support the national quantitative data on financial capability. During the meetings, an inventory of existing initiatives related to financial education was identified, and further policy measures were proposed to bridge existing gap in financial and economic literacy.

Following this process, a national conference was held by the Association of Banks in Lebanon and on 21-22 October 2015, in close coordination with the Ministry of Finance-Institute of Finance, the Ministry of Education and Higher Education and the International Network for Financial Education (INFE-OECD). The conference aimed at furthering the dialogue regarding economic and financial literacy among the different stakeholders, and to highlight the challenges facing the country based on the national findings. The conference covered thoroughly experiences of other countries particularly in morocco, and presented the international best practices regarding improving financial and economic literacy, along with the guiding principles and approaches to develop national policies. During the conference, focused thematic roundtables were held covering the main five themes addressed in section 3 above.

The proceedings of the conference in terms of recommended policy measures constitute a core part of the proposed National Strategy Framework on Financial Education presented below.

¹⁶ Survey on financial capabilities, op.cit

¹⁷ Over the period stretching between January 11, 2013 and February 22, 2013, six expert group meetings were held by IoF with key stakeholders in financial education.

Governance Mechanism and Main Stakeholders in the Towards a National Strategy in Lebanon

A major recommendation resulted from the consultation process in the context of the National Conference on Financial Education was to maintain a close partnership between the private sector, represented by the Association of Banks in Lebanon, and the Public sector, represented by the Ministry of Finance and Ministry of Education and Higher Education.

The Conference proceedings agreed by the different attendees suggest establishing a **Higher Council for Financial Education**, and to have as members, representatives from both public and private sectors.



1 | Potential stakeholders

To establish a higher council for Financial Education, having among its members representatives of the following potential stakeholders. A leading agency should be appointed to lead this council.

Public Sector	MINISTRY OF FINANCE
	• The Institut des Finances Basil Fuleihan (IoF)
	MINISTRY OF EDUCATION AND HIGHER EDUCATION
	• National Center for Educational Research and Development
	THE CENTRAL BANK
• Banking Control Commission	
• Department of Foreign Affairs	
• Training Center	
MINISTRY OF ECONOMY AND TRADE	
• Consumer protecton	
MINISTRY OF SOCIAL AFFAIRS	
• Higher Council for Chilhood	
Private Sector and NGOs	ASSOCIATION OF BANKS IN LEBANON
	NGOs
	UNIVERSITIES
	TRAINING CENTERS

2 | Potential mandate

The Higher Council for Financial Education shall have as a broad mandate the development of policy measures, in addition to coordinating the efforts of both public and private sectors to promote financial education. Meanwhile each group of stakeholders shall have a different role depending on their mandate:

Public Sector	Private sector	Other (NGOs media, unions, etc)
<ul style="list-style-type: none"> • Coordination • Facilitation • Reinforcement • Quality control 	<ul style="list-style-type: none"> • Implementation of financial education initiatives • Training program 	<ul style="list-style-type: none"> • Lobbying • Promotion

Towards a National Strategy for Financial Literacy in Lebanon 2016-2019

1 | Overview

STRATEGY VISION:

To improve households' financial decision making, promote citizenship and protect against financial shocks, mainly in old age.

STRATEGY OBJECTIVES:

The multi-pillar national strategy for financial education aims to improve the level of financial knowledge mainly among youth at schools, to build mutual trust between consumers of financial services and suppliers of these services, ensure a decent level of old-age financial protection, and build a mutual trust between citizens and government through better fiscal knowledge.

STRATEGY PILLARS (PRIORITIES):

1. Promoting financial education at early age through formal schooling system
2. Improving and enforcing consumer protection measures and control
3. Encourage long term savings and enhance pension and social protection system
4. Improving governance and citizenship through enhancing citizens' knowledge of fiscal and tax policies and systems.
5. Increasing financial inclusion mainly for underprivileged and marginalized groups.



2 | Priority pillars and core activities

Priority Pillar 1

Promoting financial education at early age through formal schooling system

Financial education at schools should be developed through a predetermined, sustainable, rational and an all-inclusive program that closely involves the Ministry of Education and Higher Education (MEHE) and its main stakeholders. Moreover, the program should be sufficiently resourced as well as continuously monitored and evaluated, preferably through a limited pilot exercise during its initial phase. Financial education at early age is a key life skill that enables the individual better integrates in its surrounding. International experience reveals that the level of financial knowledge highly impacts the ability of individuals to choose appropriate financial products and hence make sound financial decisions. Well developed and tailored curricula are essential tools to build such knowledge and to help individuals gain and develop the necessary financial skills.

The INFE has recently issued the “G20 core competency on financial literacy for youth” that provides a benchmark for knowledge, attitudes and behaviours to be developed among youth and can guide any effort to modernize the curricula.

MAJOR STAKEHOLDERS:

- Ministry of Education and Higher Education
- National Center for Educational Research and Development
- Training facilities
- Schools and teachers
- NGOs
- Association of Banks in Lebanon
- Institute des Finances Basil Fuleihan

SELECTED INDICATORS ON LOW FINANCIAL LITERACY INDICATORS (SURVEY RESULTS):

- The concept of inflation is grasped by merely 50 percent of the interviewed individuals.
- Only 22 percent of Lebanese individuals are able to calculate compound interest rates.
- Around 29 percent don't know how to calculate discount rate

CORE ACTIVITIES

1. Integrating financial literacy as a core requirement in different school levels
2. Updating school curricula to reflect the basic financial, economic and fiscal knowledge
3. Improving teaching methods and introduce interactive approaches
4. Building the capacity of teachers
5. Introducing leadership in education
6. Introducing a digital platform for exchange of experiences and know-hows
7. Adopting PISA* as a measurement tool for assessment of skills and knowledge of students

* Programme for International Student Assessment (PISA) is a worldwide study by OECD in member and non-member nations of 15-year-old school pupils' scholastic performance on mathematics, science, and reading.

Priority Pillar 2

Improving and enforcing consumer protection measures and control

Developing consumer protection mechanism is considered as an effective tool to build a mutual trust between suppliers of financial services and consumers of these services. It is also a basic requirement to promote long term financial stability. The G20 Ministers of Finance agreed on core principles to protect consumers and improve the level of confidence in the banking activities. Lebanon is in the process of applying these principles through the recent circulars issued by the Central Bank towards this end. Applying these principles is not a straightforward procedure and will require time and efforts to put in place the right mechanism and the effective control body to make sure that the banking system is compliant with these principles. It also requires an educated consumer to know his rights and obligations and to be able to communicate complaints about any doubtful or non-transparent action that he/she might be subject to. Most importantly, a grievance mechanism should be in place to deal with the consumer's complaints and claims and to treat these claims efficiently, which would improve the credibility of the banking system and the level of consumer confidence.

MAJOR STAKEHOLDERS:

- The Central Bank
- Banks
- Capital Markets Authority
- Association of Banks in Lebanon
- Ministry of Economy and Trade
- Schools

MAJOR ISSUES ON CONSUMER PROTECTION LEBANON

- Majority of Lebanese population are aware of the presence of consumer protection in Lebanon (according to survey). But, to what extent there is a consumer protection against abuse in financial sector?
- Who is the Government authority eligible to control consumer protection in financial service: Is the Ministry of Economy and Trade Consumer Protection or BDL?
- To what extent banks and financial institutions are providing consumers with transparent and accurate information (compliance with circular 134).

CORE ACTIVITIES

1. Developing and adopting mechanisms to raise awareness of consumers regarding new financial products
2. Implementing the BDL circulars 124 and 134
3. Training employees of banks and financial institutions on the code of conduct and ethics
4. Sharing information with clients on the code of conduct and ethics
5. Designing indicators to measure the level of transparency within the banking sector
6. Developing complaints and grievance mechanism that takes into consideration consumer 'rights and obligations
7. Raising awareness of kids and youth regarding the role of banks in the economy and the services provided by banks



Priority Pillar 3

Encourage long term savings and enhance pension and social protection system

Financial education gains particular importance as it affects the long term planning of individuals, particularly the retirement phase. Awareness of the financial concepts and products help individual during their work life make appropriate investment and saving decisions to protect them against vulnerability during retirement age. The issue is particularly true in Lebanon, given the absence of a social protection and pension scheme for workers in the private sector. Also, national data reveals

that the level of financial capability is relatively low among elderly, which is imposing additional risk on old age security. In this particular case, financial education could definitely help, however, it will not be enough to mitigate the impact of low social protection coverage. The core activities of the strategy under this priority pillar shall focus on introducing the necessary legal, regulatory and institutional framework that would guarantee a minimum security for old age people upon retirement.

MAJOR STAKEHOLDERS:

- Parliament
- Government
- NSSF
- Ministry of Finance
- Business communities
- Insurance companies

MAJOR ISSUES ON LONG TERM SAVING AND PENSION

- Only 31 percent of the Lebanese know that the NSSF is not offering a retirement plan for its members
- Only 11 percent of the active labor force will potentially enjoy a pension plan
- Only 1.4 percent of individuals are members of special retirement fund

CORE ACTIVITIES

1. Raising awareness of employees on old-age financial planning and available options
2. Adopting laws on social protection
3. Educating people on savings, retirement plans and insurance products.
4. Enhancing knowledge of financial planning

Priority Pillar 4

Improving governance and citizenship through enhancing citizens' knowledge of fiscal and tax policies and systems

International experiences reveal that in-depth knowledge of public finance issues is a core element to build citizenship and in proposing community dialogue on economic and fiscal matters and to improve participation of citizens in the design of public policies. In this context, it has been shown that a positive correlation exists between tax literacy and tax compliance among citizens. Also, the

level of confidence among citizens about the government performance increases when they have an acceptable level of understanding of fiscal issues. In Lebanon, the level of fiscal knowledge is conflictual and there is an apparent lack of confidence in the way public finance is managed, which is clearly affecting tax compliance and subsequently citizenship.

MAJOR STAKEHOLDERS:

- Ministry of Finance
- Institut des Finances Basil Fuleihan
- Ministry of Education and Higher Education
- Universities, colleges and schools
- NGOs

SELECTED ISSUES IN GOVERNANCE AND CITIZENSHIP IN RELATION TO PUBLIC FINANCE (NATIONAL SURVEY RESULTS)

- Misconception about exact definition of debt service for 55 percent of population
- 42 percent of individuals cant accurately define progressive tax
- Misconception about distribution of government spending

CORE ACTIVITIES

1. Improving tax compliance through better communication on the importance of paying taxes
2. Introducing public finance subjects at school level and encourage use of interactive approaches and role play
3. Encouraging colleges and universities to make academic researches on public finance as well as field visits and practical assignments.
4. Promoting active citizenship by NGOs
5. Training and educating media to cover accurately and in transparent manners fiscal and public finance issues
6. Improving education related to fiscal and laws and procedures to reduce tax evasion

Priority Pillar 5

Increasing financial inclusion mainly for underprivileged and marginalized groups

Improving financial inclusion is an important aspect that should be addressed as a priority, mainly to cover excluded segments of the population such as the limited income people, women, and those with special needs. The issue is not only about providing access to these people, but also it is about affordability and favorable conditions of these services. International practices suggest that the issue of inclusion is gaining an increasing

importance. Studies and researches carried out by OECD-INFE suggest that financial exclusion is highly correlated with financial illiteracy, which indicates further the need for developing financial education policies. Lebanon- similar to other countries in the world- is also reporting high exclusion rates among specific population segments, particularly women, low-income groups, residents of peripheral regions and others.

الركيزة الرابعة ذات الأولوية

زيادة الاندماج المالي وبشكل خاص للفئات المحرومة والمهمشة

إن تعزيز الاندماج المالي هو جانب مهم ينبغي اعتباره كأولوية، لا سيما لتغطية شرائح السكان المستبعدة مثل ذوي الدخل المحدود والنساء وذوي الحاجات الخاصة. لا يقتصر الأمر على توفير سبل الوصول إلى هؤلاء الناس ولكن أيضاً القدرة على تحمل تكاليف هذه الخدمات وشروطها المؤاتية. بحسب الممارسات الدولية، يكتسب الاندماج أهمية متزايدة. ووفق الدراسات والأبحاث التي تُجرىها الشبكة الدولية للتربية المالية في منظمة التعاون الاقتصادي والتنمية، يرتبط الاندماج المالي ارتباطاً وثيقاً بعدم المعرفة المالية، مما يُشير إلى الحاجة إلى تطوير سياسات التربية المالية. ويشهد لبنان، شأنه شأن بلدان أخرى في العالم، معدلات استبعاد عالية بين شرائح محددة من السكان، لا سيما النساء وذوي الدخل المحدود وسكان المناطق النائية وغيرهم.

MAJOR STAKEHOLDERS:

- Ministry of Finance
- Central Bank
- Banks
- ABL
- Private sector incubators and accelerators
- NGOs
- Media
- Academia

SELECTED ISSUES IN GOVERNANCE AND CITIZENSHIP IN RELATION TO PUBLIC FINANCE

- There is a room to increase financial inclusion: 47 percent of Lebanese population have access to saving accounts according to Global Index 2014, against 25 percent according to national survey on financial capability result.
- Limited access to loan and insurance products (Survey result)
- Widespread of informal banking services (for credits)
- Selected segments are financially excluded (women, low-income, disabled, youth,...)

CORE ACTIVITIES

1. Developing the necessary legal and regulatory framework to improve financial inclusion
2. Providing support for women-led business initiatives and promoting women participation in labor market
3. Introducing subjects related to investment, financing and return on investment within the financial education curricula to enhance business decision making
4. Improving digital integration through financial education

قضايا مختارة في الحكم الرشيد والمواطنة في ما يتعلق بالمالية العامة:

- هناك مجال لزيادة الاندماج المالي: ٤٧ في المئة من اللبنانيين لديهم حسابات توفير حسب المؤشر العام ٢٠١٤، في مقابل ٢٥ في المئة حسب نتيجة المسح الوطني حول القدرات المالية.
- حصول محدود على منتجات التسليف والتأمين (نتيجة المسح).
- انتشار الخدمات المصرفية غير الرسمية (للتسليفات).
- قطاعات مختارة مستبعدة مالياً (النساء، ذوو الدخل المحدود، ذوو الحاجات الخاصة، الشباب...).
- تركيز الإيداعات والتسليفات في مناطق جغرافية محددة.

أصحاب الشأن الرئيسيون:

- وزارة المالية
- البنك المركزي
- المصارف
- جمعية مصارف لبنان
- الحاضنات ومسرعات الأعمال في القطاع الخاص
- المنظمات غير الحكومية
- وسائل الإعلام
- الأوساط الأكاديمية

الأنشطة الأساسية

١. وضع الإطار القانوني والتنظيمي الضروري لتعزيز الاندماج المالي
٢. تأمين الدعم لمبادرات الأعمال النسائية وتعزيز مشاركة المرأة في سوق العمل.
٣. إدراج مواضيع تتعلق بالاستثمار والتمويل وعائدات الاستثمار ضمن مناهج التربية المالية بغية تعزيز صنع القرار في قطاع الأعمال.
٤. تعزيز الاندماج الرقمي عبر التربية المالية.