Financial Education Interim Strategy for the Kingdom of Lesotho: Implementation Plan and Road Map

Prepared for FinMark Trust
By Genesis Analytics

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Contents

1. Introduction

FinMark Trust (FinMark) was approached by the Support to Financial Inclusion in Lesotho (SUFIL) initiative to assist stakeholders in Lesotho with the development of an implementation plan for financial education in Lesotho. Through this project, FinMark seeks to make input into the process which should be followed to draw up a long term national strategy for strengthening financial capability in the country as well as to seek stakeholders' commitment to support, and participate, in this process. The project comprised three components: (1) high-level situational analysis and country level scoping; (2) stakeholder consultation and visioning workshop; and (3) development of an implementation plan. Following the completion of the 3 phases of this project this document contains an activity plan that will assist the Kingdom of Lesotho to begin the process of implementing financial education programmes as an interim strategy while a longer term strategy is developed. This short term[1] strategy aligns the vision of multiple stakeholders to achievable and realistic actions that will put in motion the stepping stones towards the accomplishment of improved financial capability in the country.

This document outlines the following critical elements to take the vision into implementation:

- Vision and purpose of a national financial education strategy;
- Profile of the current financial characteristics of the Basotho nation;
- Identification of international good practice for national financial education strategies;
- Mapping of the implementation structure and stakeholders including responsibilities;
- Key financial education priorities in terms of content, target groups and delivery mechanisms;
- Identification of activities to be undertaken by the various stakeholders with corresponding timeframes; and,
- Monitoring and evaluation framework to track progress and evaluate the organisational structure and consumer strategy, and the impact of the national financial education strategy, at the individual, programme and overall strategy levels.

It is important to note that this implementation plan provides a framework and suggestions for how the national strategy should be devised and then implemented. A national strategy takes a longer timeframe and looks to incorporate not only implementation activities, but also policy and regulatory requirements to support the achievement of objectives[2]. A strategy would also likely need to be endorsed at relevant political levels. Section 10 further defines the necessary steps to developing a national strategy.

1.1 Methodology

The document was informed by a number of research activities, including:

- A review of all relevant documentation, including a review of experiences in other countries;
- An online survey with identified stakeholders from the public, private and non-profit sectors in Lesotho (19 responses were received);

[1] This dpcument suggests activities for the next 12 months.

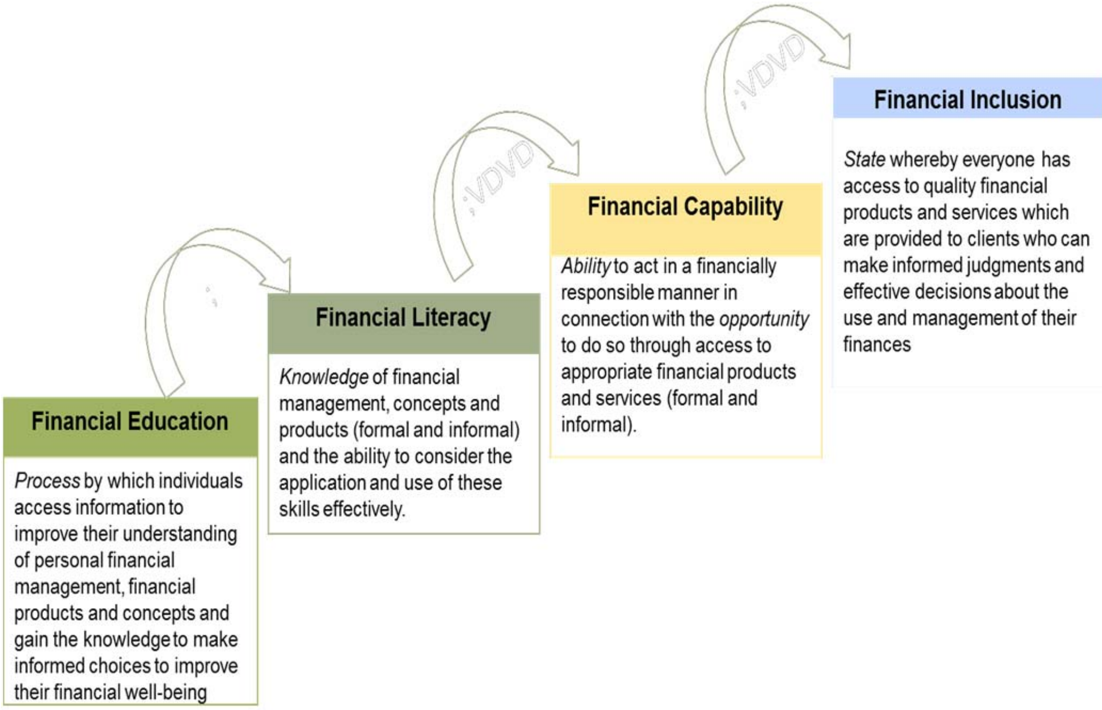
[2] This document contains approximately 70 – 80% of the context, information and direction for the full national strategy however; it needs to be refined and finalised as an official strategy with the endorsement of the relevant national stakeholders. This would require a longer term outlook as well as specific policy level decisions regarding regulation of financial sector institutions as well as consumer protection.

- Interviews with 22 priority stakeholders (a list of participants is provided in Appendix 1); and,
- A visioning workshop, held on 17 March 2014, with input from a broad stakeholder group.

2. Defining financial education, financial literacy and financial capability

The definitions of financial education, financial literacy, financial capability and financial inclusion are depicted in Figure 1 and elaborated on below.

Figure 1: Definitions of financial education, financial literacy, financial capability and financial inclusion



Financial education is the process by which individuals access information to improve their understanding of financial concepts, and through information, instruction and/or objective advice, gain the knowledge, skills and confidence to become aware of financial risks and opportunities relevant to making informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. Typically the financial concepts covered in financial education include household budgeting, household savings, risk and debt management.

Financial literacy relates to an individual's internalised knowledge of financial concepts and personal financial wellness, this includes information about both formal and informal financial products. Financial literacy is a person's understanding of financial knowledge and skills in a real-life context allowing one to apply the knowledge to financial decisions.

Financial capability is the ability to act in a financially responsible manner (knowledge, skills, confidence, and motivation) in connection with the opportunity to do so through access to financial management techniques, financial products and services (formal and informal).

Financial inclusion has two components: access to finance and financial capability. It is thus a state whereby everyone has access to quality financial products and services which are provided at affordable prices in a fair, convenient and transparent manner to clients who can make informed judgments and effective decisions about the use and management of their finances.

These products and services are provided by a range of providers, and reach everyone who wishes to use them, including disabled, poor, rural, and other excluded populations. When appropriate access is complemented by financial capability – financial inclusion has been achieved.

3. Benefits of a national financial education imperative

There is inherent value to a financially capable and literate population. A report commissioned by the Citi Foundation in 2012 found that 75% of low-income earners who have access to formal financial services do not have the skills and knowledge needed to make informed financial decisions[3]. Growing access to finance without financial education is unsustainable and potentially harmful to a variety of different stakeholders. On the contrary, the benefits of a financially literate population are wide-reaching, where all stakeholders stand to gain.

Consumers are empowered to make the most productive use of the money they have, from avoiding exploitative financial practices, undue risks and over-indebtedness to increased savings and financial flexibility. In Lesotho, this is incredibly important given the high levels of poverty and the lack of social security.

Financial institutions: People who are financially literate are more likely to have the knowledge, skills and confidence to choose, purchase and use financial products and services effectively. This is likely to stimulate uptake of financial products, especially by establishing financial institutions' 'social license' amongst people who view formal financial institutions with distrust. Financial education can also reduce risks and costs associated with people using products that are unsuitable for them and increase financial market stability.

The Lesotho Government: A financially educated population is more likely to increase savings and investment levels, be better equipped to run successful businesses, and be more likely to purchase and use financial products which are appropriate to their circumstances. These factors should stimulate economic growth and help to reduce levels of poverty, placing less of a burden on government social safety nets.

Employers stand to gain from financially literate employees, who are less likely to be distracted by their financial difficulties, resulting in increased employee productivity and reduced absenteeism.

Civil society organisations and donors' goals of poverty reduction, improved financial well-being and improved livelihoods are supported by improved financial literacy levels among the population.

The broad range of benefits and gains achieved through financial education only serves to highlight the importance and relevance of a national strategy and more importantly, a coordinated national approach to achieving these goals. Best practice experience around financial education suggests that the most effective way of strengthening financial education in a country - and thus maximising these gains - is through a collaborative approach where all relevant stakeholders work in partnership to achieve mutually beneficial objectives.

The national financial education strategy that will be developed as part of this implementation plan's activities will employ this collaborative approach. Furthermore, by formalising a collaborative approach to financial education and ensuring that the national financial education imperative aligns with the Financial Sector Development Strategy, there will be greater alignment and governance within the financial sector. This will enable the synergistic and complementary objectives of the different stakeholders – the Lesotho Government, the financial

[3] Monitor Group (2012). Bridging the Gap.

services regulator, private financial sector companies, educational bodies, civil society organisations and donors – to be leveraged to ensure the greatest gain and impact for the broader Basotho population and economy.

4. Financial characteristics of the Basotho population

This section provides an overview of Lesotho in terms of financial access and behaviours. According to the FinScope Lesotho 2011 survey[4], more than 54% of Lesotho's population relies on an irregular and inconsistent income in activities such as farming (31%), personally owned small and micro businesses (12%) and money from family and friends (11%). Only 12% of the population is salaried.

4.1 Awareness and engagement with financial products

19.1% of the Basotho adult population is financially excluded[5] (81.1% included). The main reason for this is the high usage of products related to funeral cover, with the level of inclusion dropping to 66% when funeral cover is excluded[6]. 58.1% of Basotho adults use formal financial services and 62.4% use informal financial services[7][8]. Usage of formal financial services is relatively higher in the urban areas (72%) than rural areas (52%) as a result of limited rural access to these products[9].

In terms of banking products, transactional and savings products are the most used; used by 87% and 86% of the banked adult population respectively. Remittance services are used by 42% of the population, whilst only 10% of the banked Basotho population uses banks as their source of credit[10]. Usage of non-bank formal financial products and services are dominated by insurance (81%), which is driven by funeral insurance and credit products (31%). Of the adult population, 67% has funeral insurance (both informal and formal). This is comparable to Swaziland, where an estimated 66% of the population has funeral insurance, but is higher than that of South Africa, where only an estimated 38% of the population has this insurance[11]. Those who use informal financial products predominately access burial societies (60%), credit services (52%) and savings services (47%)[12].

4.2 Availability of financial products

Lesotho's financial services sector consists of more than 75 banking and non-banking financial institutions[13]. In terms of the banking subsector, three South African banks (Standard Bank, First National Bank and Nedbank) dominate the sector. In addition to these banks, Lesotho is home to the government-owned Lesotho PostBank[14]. There are 113 licensed moneylenders, and a number of insurance companies and insurance brokers in the country[15].

[4] FinScope (2011). FinScope Consumer Survey: Lesotho 2011
[5] Ibid
[6] Ibid
[7] There is overlap between formal and informal services as some people have both informal and formal products.
[8] FinScope (2011). FinScope Consumer Survey: Lesotho 2011
[9] Ibid
[10] Ibid
[11] Cenfri (2011)
[12] Ibid
[13] UNCTAD (2013). Services Policy Review: Lesotho
[14] FinScope (2011). FinScope Consumer Survey: Lesotho 2011
[15] UNCTAD (2013). Services Policy Review: Lesotho

On average there are 4.44 branches and ATM locations for every 100 000 people in Lesotho[16]. The majority of financial institutions are based in the urban areas, resulting in limited access to financial services in the rural areas. This has contributed to the presence of informal financial services, such as moneylenders. According to the FinScope Lesotho 2011 survey, in the rural areas 28% of Basotho adults who are not served by the formal financial sector are served by the informal sector[17].

Extension of credit is low but growing in Lesotho. In general, credit is granted to salaried individuals, particularly public servants; while small, domestic firms and self-employed individuals battle to access credit. Lesotho is rated 154 out of 185 countries in terms of ease of accessing credit for small and medium sized enterprises[18]. Consequently, access to finance is continually noted as a major constraint to growth in Lesotho.

Household savings data in Lesotho is limited as employees generally withdraw their entire salaries the day after it is deposited[19]. However, it is understood that semi-formal sector savings and credit cooperatives and Rural Savings and Credit Groups (RSCG) play an important role in household savings. Data on the insurance industry is similarly scarce. Access to most insurance products is restricted to the affluent as minimum monthly payments of M150[20] are unaffordable for those who are on the minimum wage of M700[21]. However, many burial societies/funeral parlors have filled this gap by offering affordable insurance against funeral costs.

5. International Good Practice for National Financial Education Strategies

The Organisation for Economic Cooperation and Development (OECD) has developed a set of high-level principles for national strategies in financial education aimed at ensuring efficiency, relevance and long-term impact. It is important to note that while there is no 'one-size-fits-all' model for the development of a national strategy for financial education, there are some guiding principles for ensuring its efficiency. These guidelines are outlined in Table 1 below; which describes the high-level principles, their application in the current context of Lesotho, and the effect of the short term[22] implementation plan in achieving these.

[16] FinScope (2011). FinScope Consumer Survey: Lesotho 2011
[17] Ibid
[18] World Bank (2013). Doing Business 2013: Lesotho
[19] Finscope (2011). FinScope Consumer Survey: Lesotho 2011
[20] The Loti (plural: Maloti) is the currency of Lesotho and is pegged to the South African Rand on a 1:1 basis. Both currencies are used as legal tender in Lesotho.
[21] Finscope (2011). FinScope Consumer Survey: Lesotho 2011
[22] This implementation plan suggests activities for the next 12 months

Table 1: International guidelines on national financial education strategies, their application in the current context of Lesotho, and the implications of the short term implementation plan

Principle	Practical extension of the principle	Status quo in Lesotho	Implication of the short term implementation plan
Recognise the importance of financial education and define its meaning and scope at the national level in relation to identified national needs and gaps	In many countries the national strategy for financial education is developed as part of a wider framework aimed at enhancing financial inclusion through improved access to financial products and services on the supply side, and enhanced financial literacy and awareness on the demand side.	Currently financial education is poorly understood and done in an ad-hoc, product-related manner.	One of the activities of the implementation plan includes aligning the national strategy with the financial sector development strategy, thus placing the strategy in a broader financial sector framework.
	Objectives can involve more tailored priorities including reaching out to specific and potentially vulnerable segments of the population, as well as addressing identified policy priorities.	No evidence that specific segments are targeted	Target groups for financial education, and the relevant topics to be covered for each group, have been identified.
	As part of this it is important to: • Map and evaluate existing initiatives • Assess the needs of the population and main policy issues • Consult with stakeholders • Communicate and create national awareness of the national strategy	This forms part of the brief of this implementation plan.	In constructing the implementation plan, each of these points have been addressed.
Ensure the cooperation of different stakeholders as well as the identification of a national leader or coordinating body/council	The strategy should be initiated, developed and monitored by a widely credible and unbiased leading authority or governing mechanism that should possess expertise and ideally a dedicated mandate on financial education with the necessary resources and enforcement powers.	Currently the national financial education initiative is being driven by SUFIL and the Ministry of Finance. There is also a draft financial education strategy that has been developed by the Central Bank.	An independent Steering Committee will be established which manages the implementation of the road map.
	Responsibilities and roles consistent with the main stakeholders' expertise, strengths, interests and resources should be clearly defined.	Currently financial education is conducted in an ad-hoc, product-related manner, whereby each stakeholder pursues their individual interest.	Roles and responsibilities have been clearly defined in the implementation plan.

Principle	Practical extension of the principle	Status quo in Lesotho	Implication of the short term implementation plan
	The role of public authorities should be predominantly that of coordination and oversight, including: • The preparation and establishment of the strategy framework, in consultation with other stakeholders • The identification of overarching goals and national priorities for financial education • The design and/or promotion of effective and flexible regulation, guidance, quality standards, codes of conduct and/or licensing.	There is currently no public authority that officially plays a coordination or oversight role in Lesotho for financial education. However, the Financial Sector Development Strategy recommends that the Ministry of Finance be the driver of financial education.	The implementation plan clearly defines the role of the public sector, private sector and civil society stakeholders. One of the Ministry of Finance's activities is to assess the positive and negative effects of regulating financial education.
	The actions of public authorities should not substitute or duplicate existing efficient initiatives by non-public stakeholders, but rather strive to coordinate, facilitate, reinforce and ensure the quality of the actions of all stakeholders.	Current interventions appear to be delivered independently by all stakeholders. There is some collaboration across public and private sector stakeholders for large initiatives, such as MoneyWeek	The role of the public sector and private sector stakeholders are clearly defined so as to avoid duplication.
	Private financial institutions should be involved in the development of the strategy framework, but are predominantly responsible for the implementation of financial education initiatives, the provision of dedicated material or training programmes, and the participation in public-private partnerships.	Private sector institutions have been consulted for the national financial education implementation plan.	The implementation plan clearly defines the role of the public sector, private sector and civil society stakeholders
Establish a roadmap to achieve specific and predetermined objectives within a set period of time	This should include an overall and cross-sectoral vision; realistic, measurable and time-bound objectives; and the definition of relevant policy priorities and, where relevant, target audiences. It should also plan an overall impact assessment and identify appropriate resources.	Currently there is no road map in place. A draft roadmap has been developed within SUFIL but has not implemented due to resource constraints and the absence of an overall financial education strategy	The implementation plan identifies a road map to be followed.
Provide guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the national strategy	This should include guidance on delivery methods, training and tools to be used.	Currently no guidance is given to stakeholders conducting financial education. Institutions follow their own curricula and training methods for financial education delivery	This is the role of the national financial education Steering Committee, as specified in the implementation plan.
	This should include impact and process evaluations of the programmes.	Currently there are no evaluations on the financial education programmes that are running.	The implementation plan provides a skeleton monitoring and evaluation framework to be further developed.

Principle	Practical extension of the principle	Status quo in Lesotho	Implication of the short term implementation plan
Ultimately, following a period of collaboration, individual implementing organisations should be allowed to conduct their financial education programmes with a certain degree of autonomy, but in accordance with the national strategy and its associated targets and regulations.		There is currently no national strategy and therefore there are no requirements that implementers should align to.	This specification should be built into the national financial education strategy.

5.1 Comparative country examples

In conjunction with reviewing these guidelines, several collaborative financial education initiatives were reviewed. These illustrate the range of different approaches that can be considered for Lesotho's national financial education strategy. Zambia, Namibia and Uganda are included in this review because of their African context, whilst Malaysia has been included because of its perceived success and because it is considered as a global best practice.

5.1.1 Zambia

In 2009, at the inception of Zambia's financial education strategy, and following the release of the FinScope survey that year, it was observed that the existing financial education programmes and initiatives at the national level in Zambia were fragmented, which was contributing to the high financial exclusion rate in the country. The national financial education strategy for Zambia was expected to improve existing initiatives and assist in generating a stream of resources, which would support sustainability over the long-term. The strategy forms an integral component of the Zambian Government's Financial Sector Development Plan, a comprehensive strategy to broaden and strengthen the country's financial sector. The strategy framework outlines programmes, leadership, a funding model, an action plan, milestones and a monitoring and evaluation plan.

The Bank of Zambia (BoZ), the Pensions and Insurance Authority (PIA) and the Securities and Exchange Commission (SEC) as financial sector regulators cooperated to develop the strategy with the support of interested stakeholders, specifically other government ministries including the Ministry of Finance and the Ministry of Education, as well as private sector financial institutions and some local NGOs. An open invitation to all stakeholders was issued, and a formal Financial Education Working Group was established with representatives from fourteen institutions. The inclusive process ensured a streamlined strategy, buy-in and empowerment of all relevant stakeholders in the country.

The National Strategy on Financial Education is being implemented by a broad range of partners, drawn from a variety of sectors. The three financial service regulators champion the strategy, with a Financial Education Coordination Unit (FECU) being housed within the Bank of Zambia for this purpose, advised by a multi-stakeholder Steering Committee. The FECU focuses on managing the coordination, prioritisation, fund-raising, decision-making, capacity building and communication processes relating to the Strategy's implementation, while private sector financial institutions, NGOs, and others are the implementers. The Governor of the Bank of Zambia is the champion of the National Strategy.

The indicative budget for the initial 5 year period – including implementation activities - was estimated at approximately USD 15 million, 20% of which was for management and coordination, 66% for the programmes and 14% for monitoring and evaluation.

The Zambian example is one that demonstrates a "top-down" approach in that the impetus behind the strategy was largely driven by the Zambian government and Central Bank. However, the involvement of stakeholders from the private, non-profit and donor sectors was critical to the design and formulation of the strategy. Implementation of the strategy framework and action plan has faced a number of resourcing and coordination challenges, and has thus been slower than expected to date.

5.1.2 Namibia

Namibia's National Development Plan calls for specific programmes and initiatives to improve access to financial products and services and bridge the gap between consumers and financial institutions.

Three main policy documents have recently been developed to guide the development and transformation of the Namibian financial sector: the Namibian Financial Sector Strategy 2011-2021 (NFSS), the Namibian Financial Sector Charter (NFCC), and the Financial and Markets Bill (FimBill). The first two policy documents set out the broader framework for the coordination and undertaking of financial literacy activities in the country. Their goals and content were taken into account as guiding frameworks for the formulation of the Strategy of the Financial Literacy Initiative 2012 - 2014.

The strategy was developed in a workshop held in 2011 by the national working group on financial literacy – the Financial Literacy Initiative (FLI) - through a review of the previous strategic framework and priority activity list. The FLI secretariat is comprised of representatives from the Ministry of Finance and the German development corporation (GIZ), and its platform partners including over 30 non-profit, private, donor and public sector organisations, such as Aflatoun Child Social and Finance Education, Bank of Namibia and FNB. Participation in FLI is fully voluntary and non-binding. Any FLI platform partner is free to choose the kind of role it wants to play and the level of input it wants to provide, but the strategy articulates a strong need to have multi-stakeholder involvement and support, especially from the private sector.

As part of its strategic framework, the strategy document articulates its vision, overarching goal and objectives. The vision that guides the FLI is "improved quality of life and a narrowed economic divide achieved through financially capable, assertive and well protected Namibians"[23]. The strategy identifies general target groups, including:

- Poor and vulnerable people (e.g. rural people, women and pensioners)
- Micro- and small entrepreneurs
- Youth, including pupils
- Employed people (professionally and non-professionally employed people, especially uniformed employees, teachers and low income groups)

[23] FLI (2012) 'Strategy of the Financial Literacy Initiative 2012 – 2014'

- Staff of financial service providers (banks, non-bank financial institutions, NGOs and microfinance institutions).

The success of the Namibian financial literacy strategy and its implementation has been attributed to its "bottom-up" approach, through the voluntary participation of implementing stakeholders from across the public, private, non-profit and donor sectors. The strategy is also seen as a living document and is expected to be revised on a yearly basis. It focuses less on high-level strategy but rather includes a year-by-year action plan and activities that are based on the ultimate objectives of the initiative, target groups and tailored financial education messages for those groups.

5.1.3 Uganda

In August 2013 the Bank of Uganda launched the Strategy for Financial Literacy in Uganda. This followed the release of a national strategic and inclusive framework report entitled "*Towards an Effective Framework for Financial Literacy and Financial Consumer Protection in Uganda*" in 2011.

The development and implementation of the strategy was led by the Bank of Uganda and engaged more than 150 stakeholders in a structured consultative process through a number of workshops over two years. The process was supported by GIZ and guided by a high-level Financial Literacy Advisory Group (FLAG) that was comprised of representatives from implementing organisations in the public, private and non-profit sectors.

A Financial Literacy Information Sharing Group (FLISG) was also established to provide a forum to share information and ideas between the broad community of stakeholders and partners about developments and potential developments.

The framework for strengthening financial literacy in Uganda includes the vision; goals; expected outcomes; the governance, management and implementation structures; relevant stakeholders; priority areas; priority activities, and monitoring and evaluation.

Both the Zambian and Ugandan strategies include a set of guiding principles. Examples of these include working in partnership, communicating effectively and cost-effectiveness.

The vision of the strategy is that Ugandans have the knowledge, skills and confidence to manage their and their family's personal finances. It focuses on five main areas:

- Financial education in schools
- Use of media for financial literacy
- Financial literacy and rural outreach
- Financial literacy for the youth
- Financial literacy in workplaces, clubs and associations

As part of the strategy development process, working groups for each of these five areas were formed and, during a number of meetings, tailored financial literacy programmes were developed that will be piloted and later scaled up. Given that the Ugandan strategy has only recently been launched, it is difficult to assess its performance to date.

5.1.4 Malaysia

In 1997, the Malaysian government identified the need for enhancing the levels of financial literacy in the country due to the rapid change in technology, product innovation, deregulation and increased competition that had dramatically transformed the financial system. As a means to increasing the level of financial literacy in the country, the Central Bank of Malaysia, Bank Negara Malaysia (BNM), embarked on the following three-pronged approach:

- Developing and disseminating educational materials on financial products and services through booklets and websites;
- Promoting financial education to students in collaboration with the Ministry of Education and financial institutions; and,
- Conducting financial educational outreach programmes to various target groups, including university students, through strategic partnerships with other organisations.

Developing and disseminating educational materials: in 2003, BNM initiated consumer education programmes for adults known as bankinginfo and insuranceinfo. These programmes intended to promote a greater understanding of, and more informed decision making on, financial products; and enabled consumers to have greater access to reliable information. Under these programmes, consumers were educated on a range of financial topics including: planning, spending, credit and debt, risk management, market awareness and the available financial products.

Promoting financial education to students: in collaboration with the Ministry of Education and other financial institutions, BNM launched a savings campaign in 1997 to promote financial education for schoolchildren throughout the country. The programme is designed to develop good savings habits and create awareness among students on the importance of smart financial management and planning. Six initiatives have been undertaken through this programme:

- The School Adoption Programme (SAP): under the SAP, schools are adopted by a financial institution which conducts activities in the school educating children on banking, insurance and basic financial concepts. Since its inception in 1997 to 2008, more than 7 000 schools have been adopted by financial institutions.
- The Student Financial Club (SFC): the SFC was implemented in 1999 and provides a platform for schools to incorporate financial education into their extra-curricular activities. By 2008, more than 2 000 schools under the SAP joined SFCs. Students who join the SFCs engage in financial activities through workshops, quizzes, contests, games, and visits to financial institutions.

- Lesson plans and workshops for teachers: lesson plans for teachers with modules and activities on financial education that can be conducted during SFC meetings have been developed and distributed to all schools and a series of workshops have been organised to teach teachers about financial education and how best to disseminate this knowledge to their learners. From 2000 to 2008, 65 workshops were conducted and more than 6,238 teachers benefited from the workshops.

- Pocket money book: this was introduced in 1998 as a tool to educate and assist students to manage their pocket money.

- Financial education website 'Duitsaku.com': BNM, in collaboration with the Ministry of Education, created an interactive financial education website in 2004 where people can participate in financial games, contests, quizzes and financial calculations. From 2004-2008, the website attracted 85 000 members.

Conducting financial educational outreach programmes: the Credit Counseling and Debt management Agency - a subsidiary of BNM- collaborated with the Malaysian universities to incorporate the subject 'Personal Finance' into the curriculum.

In addition to these programmes, BNM established a Financial Education Working Committee to serve as a platform for coordinating financial education initiatives and to facilitate a more efficient allocation of resources between implementing agencies. Members of this Committee include BNM (as the chairperson), the Financial Mediation Bureau, the Credit Counseling and Debt Management Agency and the Malaysia Deposit Insurance Corporation.

In addition to these financial education initiatives, in 2006 BNM established the Consumer and Market Conduct Department to increase attention to fair and equitable market practices and financial literacy of consumers. This department formulates and implements consumer-oriented policies and enforces compliance with market conduct requirements. The main focus of this department is on consumer protection rather than financial education; whereby the "financial education" component is focused around product awareness and appropriate product education.

BNM's success with promoting consumer protection and financial literacy can largely be attributed to its "top-down", inclusive approach. BNM worked with a range of stakeholders including government ministries and agencies, business chambers, trade associations, consumer associations, the Bar Council, financial institutions, and industry associations to implement the financial education strategy. This reduced duplication of financial education efforts and enabled institutions to leverage off one another's initiatives. Furthermore, the use of a regulatory framework to drive consumer protection and appropriate market conduct is considered to be one of the factors that contributed to the success of the financial education initiatives.

In summary, the success of Malaysia's financial education strategy has largely been attributed the inclusion of financial education in the reform of the financial sector in Malaysia following the Asian Crisis. This provided a "clean slate" to drive financial education and to build robust infrastructure to provide assistance to financial consumers.

6. Stakeholder mapping

As noted in Section 1, a range of stakeholders in Lesotho were consulted to complete the landscaping exercise covering the financial education environment, the relevant target groups and delivery channels for financial education, and to understand these stakeholders' perspectives on a national financial education strategy and how this should be implemented. The stakeholders consulted in this process included government ministries, financial institutions (including representatives from the banking sector, the insurance sector, micro finance institutions, rural savings groups and financial cooperatives), business chambers, financial sector regulators and civil society organisations (a detailed list is provided in Appendix 1).

The following section provides an overview of the key stakeholders identified as participants and collaborators for the national financial education strategy; the current financial education programmes in Lesotho; the emerging themes from the consultation process; the proposed implementation structure for the national financial education strategy, and the key stakeholders' roles and responsibilities in implementing the strategy.

6.1 Relevant Stakeholders

There is a range of stakeholders who have a role in the national financial education imperative. These stakeholders are detailed in Table 2 below:

Table 2: Financial education stakeholders for Lesotho

Private sector	• Financial service providers: o The banking sector (Standard Lesotho Bank Ltd, Nedbank Lesotho Ltd, First National Bank Ltd and Lesotho Post Bank). o The insurance sector (consisting of six insurance companies and 12 insurance brokers). o Micro finance institutions and/or moneylenders o Savings groups o Financial cooperatives o Alternative financial service providers (e.g. mobile money providers) o Burial societies/Funeral parlours • Employers • Sector groups (e.g. agricultural cooperatives) • Private sector schools, colleges and universities • Industry associations (e.g. the Bankers Association of Lesotho) • Business chambers (e.g. Lesotho Chamber of Commerce) • Mobile network operators (Vodacom and Econet)
Public sector	• Government ministries and departments (e.g. Ministry of Finance, Education, Labour, Trade, Commerce and Industry, Local Government, Agriculture)

	• Central Bank of Lesotho • Parastatals (e.g. BEDCO, pensions) • Lesotho Revenue Authority • Lesotho National Development Corporation • Public schools, universities and colleges
Donor community	• International development agencies (e.g. UNDP)
Civil society and umbrella bodies	• NGOs and charities (e.g. Care Lesotho, Catholic Relief Services, World Vision) • Business Associations (e.g. LLN, LCCI, PSFL, BAL, MFA, NFDL, Trade Unions, FEW, LLN)

6.2 Financial education programmes in Lesotho

The following section outlines the current and planned financial education programmes in Lesotho. This section is based on desktop research, findings from an online survey completed by the relevant stakeholders (November and December 2013) and findings from the interview process (February 2014). The current programmes are mainly product-focused and typically educate individuals about the financial products and services that are available and how these should be used. These programmes are outlined in Table 3 below.

Table 3: Current and planned financial education programmes in Lesotho

Implementing organisation	Programme	Description of the programme	Target audience	Delivery channels
The Bankers Association of Lesotho	BAL Awareness campaign	This is a programme to educate the population about fraud and pyramid schemes. The programme is run before the festive season as this is the most prevalent time for fraudulent activity.	General population	• Television • Radio • Print media
Ministry of Finance in partnership with UNDP, CBL and others (SUFIL partners)	Money Week Lesotho	This a month long awareness campaign, jointly implemented by SUFIL and financial services providers covering issues such as: • Savings and investments • Financial sector players and local products • Borrowing • Insurance • Budgeting and financial planning	Youth, adults, general population	• Television • Radio • Mobile phones • Internet • Newspapers
	SMME and CBO Financial literacy programme	A programme targeting SMMEs and community based organisations, with focus on: • Budgeting • Debt management • Savings	Women	• Face-to-face workshops
Vodacom Lesotho	M-pesa Mobile Money	This is an awareness campaign to educate consumers about M-pesa and how to use mobile money	Clients	• Television • Radio • Print media • Mobile phones • Internet
Standard Lesotho Bank	FE weekly radio programme	This programme educates listeners about the products the bank offers and how these should be used.	General population	• Radio
Post Bank	FE weekly radio programme	This programme educates listeners about the products the bank offers and how these should be used.	General population	• Radio
Moliko Finance Trust	FE programme	Moliko Trust teaches their clients about their policies and products, and educates them on the basics of savings and budgeting. This is conducted monthly, when Moliko goes to collect repayments and savings.	Clients	• Face-to-face workshops when meeting with clients for repayments and savings deposits
CARE Lesotho	Village savings and lending programme	This is a programme aimed at the rural population, teaching them about savings and borrowing. This has been implemented in two districts.	Lower income earners	• Face-to-face workshops • Mobile phones

Implementing organisation	Programme	Description of the programme	Target audience	Delivery channels
Central Bank of Lesotho	Sensitisation programme	This is a sensitisation programme covering the following topics: • Savings • Bank products • Borrowing • Insurance • Budgeting • Consumer protection	• Rural communities • Low-income households • School learners	• Face-to-face workshops • Radio • School curriculum

6.3 Emerging themes from the stakeholder consultations

The emerging themes from the consultation process are outlined below:

- Understanding of Financial Education versus Marketing: Based on interviews with stakeholders it has emerged that the general understanding of the definition of financial education is primarily limited to product education, focusing on educating individuals about what financial products and services are available and how these should be used. In designing and developing financial education programmes it therefore becomes critical that the definition of financial education is clearly understood by all stakeholders.

- Implementation Approach: The stakeholders had mixed views on how best to implement a national strategy. Both public and private sector respondents felt that the responsibility for implementation should not lie with government as there are inherent inefficiencies entailed with government-implemented interventions. These stakeholders felt that the role of the government should be around policy development and enforcement. Private sector financial institutions raised concerns around their role in implementing as they do not feel capable of divorcing financial education from product marketing and sales. A general perception was that there should be an independent unit that is responsible for implementing the strategy and that this should be funded by both the private sector and public sector.

- Target Audience Identification: Responses around who should receive financial education were varied but the following emerged as the key priorities.

    - The majority of stakeholders are of the opinion that financial education should form part of the school curriculum, particularly in the primary grades given that school is free for Basotho children and therefore should have the greatest reach.

    - In terms of specific population groups, the general consensus was that the priority target groups are the youth, the employed and some of the vulnerable groups such as rural communities.

    - The majority of stakeholders felt that because the level of financial literacy across the Basotho population is low, everyone could gain from some degree of financial education.

- Financial Education Delivery Channels: When consulted about the best delivery channels for financial education, the majority of stakeholders considered face-to-face workshops and radio campaigns as the best channels given the Basotho population's preference and comfort with learning and daily behaviour.

7 Consumer Strategy[24]

Based on a combination of information available on basic literacy and numeracy, financial inclusion (FinScope), and a unanimous qualitative sense from relevant stakeholders, the level of financial literacy among the Basotho population is low. As with many other sub-Saharan countries, access to finance in Lesotho is artificially high as a result of the high uptake of funeral cover. When considered together, this suggests that the level of financial inclusion in Lesotho is low – indicating a broad need for financial education across all population groups.

As seen from the best practice lessons for financial education programmes (see Appendix 2), it is imperative to have a targeted approach to financial education to ensure its effectiveness. The following section outlines the suggested financial education approach for three identified target audiences (school learners, employees and rural communities) as well as an approach for the broader Basotho population. Value for money and the ability to reach the widest audience in the first twenty-four months has also been considered as the proposed implementation plan recommends leveraging from existing structures and momentum already in place in Lesotho. From a long-term perspective, the national financial education strategy should likely seek to address the financial literacy of the entire Basotho population.

In outlining the proposed interventions for the identified target audiences, moments in the beneficiaries' lives have been identified that present timeous opportunities to convey targeted information that is relevant to them at that moment. By identifying these 'teachable moments', the proposed financial education approaches are appropriately targeted and cover the most relevant topics and messages so as to ensure that they are instilled.

Table 4 below outlines the proposed consumer strategy for Lesotho.

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[24] It is important to note, that this consumer strategy speaks directly to financial education interventions and does not speak to consumer protection. Consumer protection aspects will need to be explored by the established Steering Committee in collaboration with other stakeholders responsible for the implementation of the FSDS and other relevant population oriented policies.

Table 4: Summary of the proposed consumer strategy

	School learners	Employees	Rural communities	General population
Messages	• Basics of financial education	• Basics of financial education • Interest rates and the cost of borrowing • Loan management • Long-term saving • Types of financial products	• Basics of financial education • Types of formal and informal financial products and services	• Basics of financial education • Types of financial product and services
Channels	Embedded in school curriculum: • Games • Drama and activities • Take-home learning material	• Poster campaign in work sites • Face-to-face workshops • An online or mobile-based tool	• Radio • Face-to-face workshops	• Radio
Stakeholder responsible for ensuring implementation	Central Bank, Ministry of Education and the National Curriculum Development Centre	Banking and insurance institutions	Rural savings groups and NGOs	Banking and insurance institutions

7.1 School learners

A financial education intervention targeted at school learners is proposed as a long-term solution to improving the level of financial literacy in the Basotho population. All young children attend primary school; therefore, by leveraging the school system, the entire cohort will be reached with financial education.

The primary school curriculum is currently being revised, whereby the curriculum for Grades 1-5 has been developed and is in the various stages of implementation, and the curriculum for Grade 6 is due to be revised. This presents an opportune moment to integrate financial education into the Grade 6 curriculum. However, if this is to be achieved, it must be done in the next six months. In doing so, the National Curriculum Development Centre has indicated an interest in developing content in collaboration with the relevant institutions on the Steering Committee to ensure that the content is appropriate and relevant. In addition to this, an external, specialist content developer should be consulted. In the long-term, financial education should be included in the curriculum for Grades 1-5; as well as the older grades, however, as the Grade 6 curriculum is being revised in 2014 for piloting from January 2015, this should be the immediate focus.

7.1.1 Teachable moments, messaging and relevant content

Grade 6 learners have a sense of financial matters and are at the early stages of developing their financial habits, thus presenting a good opportunity to shape their future financial behaviour.

The key messages for this group will cover the basic principles of financial literacy:

- **Needs and wants**: understanding the differences between fixed, regular varying, unplanned and luxury expenses (primarily focusing on issues relevant to the age group);
- **Budgeting and saving**: balancing income and expenditure; when and how to create a budget; easy savings tips (using a tin at home for loose change); planning shopping trips and using lists of needs; and,
- **"Myth Busters" and "Dos and Don'ts":** dispelling misconceptions around money management and financial services and products; lotto tickets; keeping copies of all documentation; being proactive and asking questions; insuring for death and funerals.

7.1.2 Delivery channels and mechanisms

Financial education interventions targeted at school learners are most effective when these are integrated into the classroom and the school curriculum. By integrating the above listed financial education topics into a subject in the school curriculum so that it is taught in the classroom by a teacher who has been trained in financial education, allows the opportunity to leverage an existing trusting environment. However; 'lecture' based lessons have not proven as effective as other options to share knowledge and skills with learners in the classroom. The following delivery opportunities are thus identified for this audience:

- Games: develop games that centre around financial education and teach children about the above financial topics whilst they play.
- Drama and activities: develop roll-playing opportunities and other activities that allow the learners to apply the knowledge to practice.
- Take-home learning material: develop take-home material so that learners can practice what is taught and can extend these skills to their parents through homework activities.

It is important to note that the primary delivery channel in the school system is the teachers. It is therefore critical to ensure that teachers are adequately trained and capacitated to deliver financial literacy. This means training the teachers in their own financial management as well as the revised content and materials.

Where curriculum revision is not possible, alternative mechanisms of reaching school learners should be explored. The most likely of these would be extra-curricular activities that can be embedded with financial education, such as an after-school savings club that is facilitated by teachers or other trained professionals.

Box 1: Reference material for a school-based financial education programme

The OECD's Guidelines on Financial Education at School and Guidance on Learning Framework:
http://www.oecd.org/finance/financial-education/48493142.pdf
The Federal Deposit Insurance Corporation's Money Smart for Elementary School Students and Money Smart for Youth:
http://www.fdic.gov/consumers/consumer/moneysmart/young.html#MSES
Personal Finance Education Group, UK
http://www.pfeg.org/resources

7.2 Employees

This group is characterised by individuals who earn a regular salary and have some experience (albeit limited) with money management. As the Lesotho government and the factories are the two largest employers in Lesotho, it is proposed that this intervention be initially targeted at public sector employees and factory workers. This will provide an easy access point and will enable a significant number of people to be targeted efficiently through existing communication channels. Once this has been implemented successfully, it should be expanded to the private sector.

7.2.1 Teachable moments, messaging and relevant content

As a result of their income, this group is able to access greater amounts of credit and thus face the risk of over-indebtedness. Similarly, because of their income, this group has a demand for, and ability to have, more complex financial products and services.

Given the low levels of financial literacy across the population, the basics of financial education as listed for the *School Learners* group should be covered as a basis; however; the following more pertinent topics also need to be addressed for this group:

- Interest rates and the cost of borrowing;
- Loan management (rights and responsibilities);
- Long-term saving, including retirement saving, pension schemes and alternatives; and,
- The various types of financial products.

7.2.2 Delivery channels and mechanisms

The delivery channels for this group will include:

- Poster campaign in work sites (for awareness, not knowledge or skills transfer);

- Face-to-face workshops (organised through the relevant public sector department/institution or factory employer); and,
- An online or mobile-based tool: develop a tool that enables employees to practice what was learned in the workshops. For example a tool should be developed that calculates the time needed to pay off a loan of a certain value with a certain interest rate.

Box 2: Reference material for a worksite- based financial education programme

Chartered Institute of Personnel and Development: Workplace Financial Education: A guide for employers:
http://www.cipd.co.uk/binaries/5940%20WorkFinEd%20GUIDE%20(WEB).pdf
Money in Mind: Financial Education in the Workplace: Why it matters now and what you need to do as an employer
http://www.moneyinmind.com/LinkClick.aspx?fileticket=EQ9Bu7DOeCE%3D&tabid=549

7.3 Rural population

This group lives in the rural districts of Lesotho, with limited access to infrastructure and typically lives a subsistence existence. Most live hand-to-mouth with income that is irregular and often insufficient to cover their basic necessities. This group's income typically comes from grants, remittances, and small scale farming. This group is geographically removed from traditional banking infrastructure, does not hold formal financial products and has a very limited understanding of both formal and informal financial products and services. They typically survive by managing their cash flows on a day- to- day basis.

7.3.1 Teachable moments, messaging and relevant content

As this group's financial literacy is typically very limited, the content of the intervention needs to cover the financial education basics as listed for the *School Learners* group (adjusted for adult population). In addition to this, this group has a limited knowledge of both formal and informal financial products, and as such the following must be covered in addition to the basics of financial education:

- Informal financial products and services: rural communities cannot easily access formal financial products and services, thus this intervention will include information about informal products and services available, such as stokvels, rural savings groups, and funeral cover.
- Formal financial products and services: this intervention will cover the basics of formal financial products and services and how these can be used remotely.

7.3.2 Delivery channels and mechanisms

The delivery channels for this group should include:

- Radio for raising awareness
- Face-to-face workshops (leveraging the existing NGOs and savings groups that are established in the rural areas)

No particular target audience within the rural population has been identified because this group is entirely vulnerable. The two proposed delivery channels specify the audiences and in particular, radio is accessible by all household members and any material should address household-level knowledge requirements.

On the other hand, the local NGOs and savings groups that already work in the rural areas have offered their networks to reach the individuals. The NGOs with which the Steering Committee decides to work determines which specific groups within the rural population can be reached, for example, a savings group may have a wide variety of people including women who do tailoring to generate income and farmers.

Box 3: Reference material for financial education programmes for rural communities

The International Labour Organisation's Training Manual on Financial education for migrant workers and their families:

http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_171658.pdf

MasterCard Foundation's Taking Stock: Financial Education Initiatives for the Poor

http://www.mastercardfdn.org/pdfs/TakingStockFinancial.pdf

FinMark Trust, Financial Education Toolkit

http://www.finmark.org.za/publication/financial-education-toolkit-unabridged/

7.4 General population

Financial literacy is consistently low in the Basotho population across all population groups. Thus there is much to be gained in the short-term with a broad, country-wide financial education intervention.

7.4.1 Teachable moments, messaging and relevant content

As the general level of financial literacy is low, the general population intervention will cover the basics of financial education as listed in the *School Learners* group as well as general financial product information.

7.4.2 Delivery channels and mechanisms

The most cost-effective intervention for the widest reach is the radio given that penetration is high in Lesotho[25]. Currently there are a number of financial sector institutions running individual radio

[25] 54% of households owned a radio in 2004 [USAID (2010). Lesotho Health Systems Assessment. Interview findings supported this finding, suggesting that the penetration figure was in fact higher as people listen to the radio collaboratively, and do not necessarily own the radio.

programmes that educate listeners about their institution's products. These existing shows should be leveraged to include broader financial education concepts.

Box 4: Reference material for financial education programmes for the general population

South Africa Insurance Association's Financial Freedom: Radio Financial Literacy Project

http://www.financialeducationfund.com/storage/files/Final_SAIA_Consumer_Education_Completion_Report_March_2012.pdf

8 Recommended implementation structure

Both public and private sector stakeholders recommended that financial education coordination at a national level must be implemented by a wide range of stakeholders with the immediate role of the government being policy development and enforcement while other institutions, both private and other civil society organisations, driving implementation, at least in the near future.

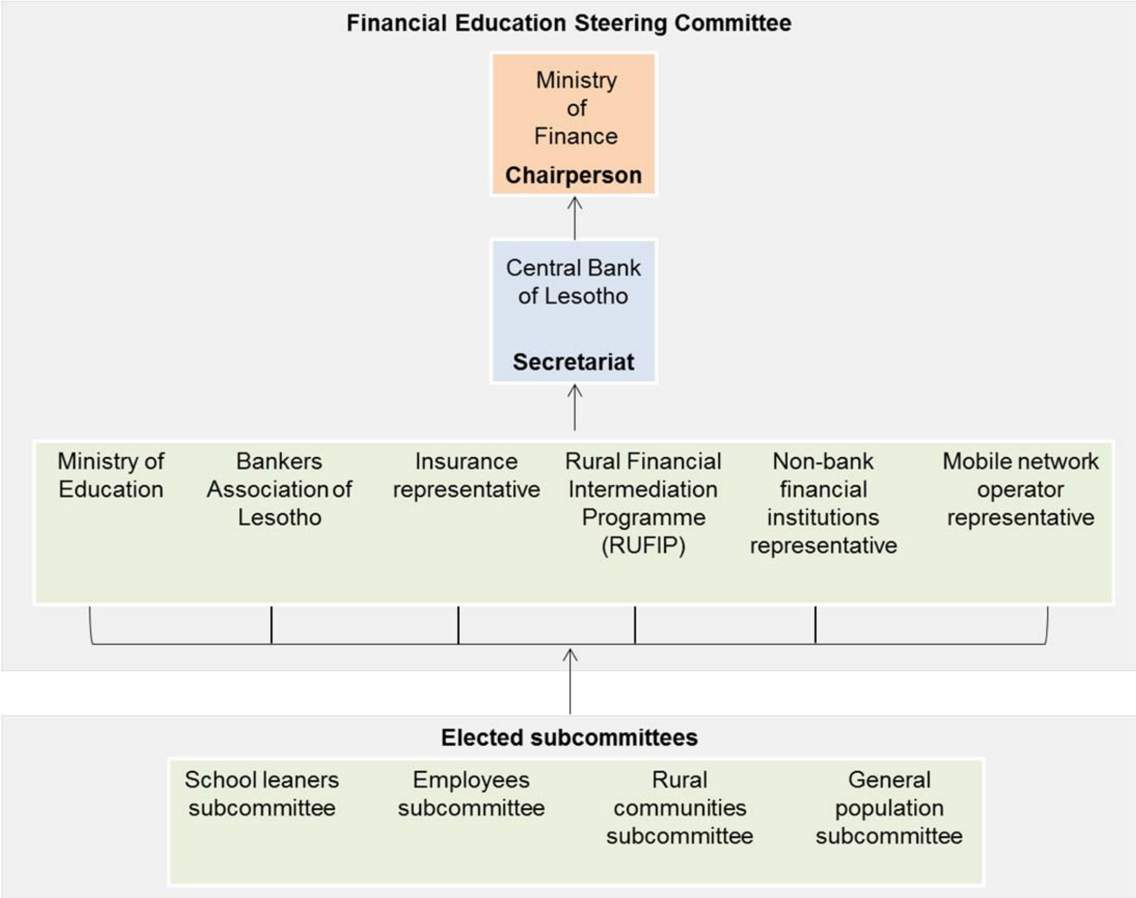
There should therefore be careful coordination of all involved stakeholders to avoid duplication and any unnecessary gaps in the implementation of financial education interventions. National efforts will be most successful when each stakeholder is appropriately involved to leverage their individual strengths.

In order to achieve tight coordination, particularly in the early phases of a national effort, a small, independent Steering Committee should be established. All members of this Steering Committee should recognise and expect that their role and involvement requires actual dedicated time and efforts and should be considered a 'working' committee. This Steering Committee will have three main strands of work:

- To manage the implementation of the road map
- To coordinate input and drive policy and regulation related to financial education; and input into other relevant policy and regulation discussions such as consumer protection
- To coordinate the stakeholders implementing financial education programmes including:
    - Quality assurance of programmes to ensure that they are focused on financial education concepts not product marketing;
    - Monitoring and evaluation of programmes to assess, and subsequently inform, the improvement of their effectiveness and impact; and,
    - Facilitating the sharing of lessons learnt and best practices.

The proposed composition of the Steering Committee is illustrated in Figure 2. It is important to recognise that because this Steering Committee needs to be action oriented, it needs to be kept small. A larger group of 'interested partners and stakeholders' can support the work of the Steering Committee. It is suggested that sub-committees be established for particular streams of work, and these sub-committees should include members from outside of the Steering Committee.

Figure 2: Proposed Steering Committee structure



Note: These are the sub-committees identified during the stakeholder workshop, and may change as needed.

8.1 Coordination structure, roles and responsibilities of the Steering Committee

- The Steering Committee must be small with representatives from the public sector, private sector and associations. A limited number of representatives on the Steering Committee will enable a more efficient and effective decision making structure. A number of proposed positions have been identified, but the Steering Committee will need to be flexible and adjust membership as appropriate as implementation evolves.

- **Governance arrangements** for the Steering Committee must be decided upon within the first quarter of operations. These need to be finalised in consultation with the stakeholders and should cover the following broad areas, namely:

    - Nomination and terms of officials

    - Decision making processes
    - Communications and information strategy
    - Establishment of sub-committees
    - Monitoring and evaluation

- It is envisaged that there will be a broader group of institutions and stakeholders that will not be represented on the Steering Committee or be included in a sub-committee, but that should be informed of the progress on financial education (see list in Table 2). The Steering Committee should be responsible for reporting to these stakeholders on a quarterly basis in a prescribed format. Similarly, the sub-committees should report to the Steering Committee on a quarterly basis in a prescribed format.

- As identified during the stakeholder consultation process, the Steering Committee should be the driving force for financial education for the country. The Steering Committee should develop a policy paper outlining issues relating to financial education regulation such as financial requirements for financial institutions, quality or programmatic issues, as well as relevant consumer protection issues. The Steering Committee can refer to the Financial Sector Codes in South Africa, or other countries, which address these matters.

- Through the consultative stakeholder workshop held to develop this road map, it was proposed that the Ministry of Finance be the Chairperson of the Steering Committee and drive all policy and regulatory aspects of the national strategy. This is in line with the Financial Sector Development Strategy's recommendation that the Ministry of Finance be responsible for financial education. It was also proposed in this workshop that the Central Bank of Lesotho be the secretariat of the Steering Committee, and be responsible for setting up a Steering Committee meeting every month as well as logistics and coordination. The secretariat should also be responsible for taking minutes at these meetings and circulating these for comment before finalising.

- The Steering Committee should meet once every third month with the sub-committees to oversee the implementation of each of the consumer strategies. Minutes should be taken at these meetings and should be circulated for comment before finalising.

- To ensure the success of this implementation structure and buy-in from all stakeholders, it is proposed that the financial education strategy drafted by the Central Bank be incorporated into the broader national strategy and implementation plan.

- The Steering Committee should report to the relevant Financial Sector Development Committees. Until recently, SUFIL played this role, but its existence is now coming to an end, and therefore, the replacement body should be this Steering Committee's main reporting line.

8.2 Coordination structure, roles and responsibilities of the Sub-Committees

- It is recommended that at least four sub-committees be established to implement each of the four consumer strategies outlined in Section 7. The Steering Committee should elect Chairs for the sub-committees and these should be constituted by members from the broader stakeholder group which are relevant to the particular consumer strategy. This would definitely include private institutions that are actually implementing financial education. As indicated above, these sub-committees will primarily be responsible for:
    - Quality assurance of programmes to ensure that they are focused on financial education concepts not product marketing;
    - Monitoring and evaluation of programmes to assess, and subsequently inform, the improvement of their effectiveness and impact; and,
    - Facilitating the sharing of lessons learnt and best practices.
- Given that there is no regulation requiring financial institutions (or others) to fund financial education initiatives, the Steering Committee will not have access to funds for its own implementation unless an outside donor provides funding. Therefore, the sub-committees will comprise of the organisations that are driving the implementation activities based on individual institutions' own allocation to such interventions. As policies and regulations are developed, this issue of resourcing must be considered.
    - It has been indicated that the Central Bank has set aside funding for financial education. In addition to its role as the secretariat, it is proposed that the Central Bank should be on the sub-committee for the school leaners consumer strategy and should contribute a proportion of this funding towards including financial education in the school curriculum.
    - Banks, insurance firms and MNOs have also identified their commitment to resourcing financial education interventions and therefore these need to be leveraged, and aligned as closely as possible to the national imperative.
- Learnings from financial education programmes implemented independently (past or current) by the banking sector and the insurance sector should be shared through the sub-committees to the Steering Committee. These learnings should be noted during the meetings proposed above.

9 Immediate implementation activities

The following section provides a Gantt chart for the necessary activities for the implementation of the roadmap with corresponding responsibilities.

Beyond the Gantt chart, there are a few priorities that must be addressed as soon as possible:

- The Steering Committee should meet as soon as possible with relevant representatives from FinMark Trust's MAP programme in Lesotho to ensure that all aspects of Financial Education, Literacy and Capability are incorporated into MAP activities as appropriate.

- Establish a sub-committee on School-Based Curriculum with haste and coordinate a meeting with the curriculum developers as soon as possible so that the stakeholders can identify the appropriate inclusion opportunities – for the Grade 6 curriculum immediately. Additional opportunities can also be identified, but advantage must be taken of the chance at hand.

- Given slightly differing views of financial education, it would be beneficial if the Steering Committee and sub-committees participated in a financial education programme themselves, during which they are taught about their own personal financial management and good behaviours as well as the basics of managing and monitoring financial education programmes. This training should be provided by an appointed financial education specialist. There are a number of such trainers that have extensive experience in financial training and have appropriate training modules that could be contextualised to the Steering Committee's requirements.

- The initial Steering Committee meeting should be convened as soon as possible at which the relevant sub-committees are established.

The activities listed in the Gantt chart should also be costed by the Steering Committee. There are a number of factors to consider when costing programmes and activities. These include:

- Scope of work;

- Reach of the interventions; and,

- Salaries and time of human resources from within organisations that are involved in developing and implementing programmes.

Figure 3: Gantt chart of implementation activities

Activity	Quarter	2014 Q2	2014 Q3	2014 Q4	2015 Q1
Establish the national financial education Steering Committee					
• Central Bank of Lesotho (as secretariat) to invite relevant institutions to be members of the Steering Committee • Central Bank of Lesotho (as secretariat) to set up kick-off meeting • Financial Education training to be provided to the Steering Committee					
Steering Committee to appoint sub-committees					
• Steering Committee to appoint sub-committees • Sub-committees to appoint office bearers and responsibilities					
Assess the effects of policies and regulation on financial literacy and whether such regulation should be implemented					
• Ministry of Finance to undertake or commission an assessment to determine whether financial education programmes should be mandatory • Should the RIA suggest that financial education be regulated, the Ministry of Finance to draft the relevant regulations					
Implement financial education into the Grade 6 school curriculum					
• School-Based sub-committee, led by the Central Bank, to develop financial education curriculum with the NCDC • School-Based sub-committee, led by the Central Bank, to appoint trainers to train teachers on the financial education curriculum					
Finalise governance arrangements within Steering Committee					
• Ministry of Finance to develop governance policies for the Steering Committee					
Develop and finalise the national financial education strategy					
• Ministry of Finance to draft the national financial education strategy • Steering Committee to collate comments on the national strategy • Ministry of Finance to initiate Parliamentary approval processes					
Develop a baseline for levels of financial education in Lesotho					
• Steering Committee to work with MAP programme to incorporate financial education components into activities					
Mobilise rural community sub-committee and begin content development and coordination of programmes					
• Rural community sub-committee to set up meetings with programme implementers and rural savings groups, SACCOs and NGOs to leverage existing structures • Rural community sub-committee to coordinate content development and oversee programme implementation • Rural community sub-committee to report on rural financial education programmes					
Mobilise employees sub-committee and begin content development and coordination of programmes					
• Employees sub-committee, to coordinate with government ministries/institutions and factories, to set up financial education visits • Employees sub-committee to coordinate content development and oversee programme implementation • Employees sub-committee to report on worksite financial education programmes					
Mobilise general population sub-committee and begin content development and coordination of radio/mobile based programmes					
• General population sub-committee to coordinate existing radio programmes and the content thereof					
Develop annual action plan detailing stakeholders' responsibilities, timelines and action items					

10 Way forward to developing a national financial education strategy

This implementation plan provides a framework and roadmap of financial education activities to be implemented in the short- to medium-term, which is an important first step in developing a long-term national financial education strategy. A national strategy takes a longer timeframe and looks to incorporate not only implementation activities, but also policy and regulatory requirements to support the achievement of objectives that are endorsed at the relevant political levels.

In developing a national financial education strategy, it is important to acknowledge that financial capability - having the knowledge, skills and ability to effectively manage one's finances - is a critical component of financial inclusion. Developing a long-term vision, as well as measurable objectives, for improving the financial capability of the Lesotho population through financial education should therefore be informed by the country's Financial Sector Development Strategy, and any associated policies and regulations.

It is also important to consider the different possible approaches to policy and regulation Lesotho can adopt when developing the national strategy. In South Africa, compliance with the Financial Sector Codes, including the allocation of after-tax profits to consumer financial education, forms part of a financial service provider's Broad-Based Black Economic Empowerment (B-BBEE) scorecard. In Zambia and Malaysia, however, the provision of financial education is not mandated through regulation; however, it does form a core component of their financial sector development strategies. An important decision for the Lesotho Steering Committee to make will be whether financial education should be regulated in the country or not. This will depend on the capacity of the government to enforce that regulation, as well as the willingness of the stakeholders to both implement financial education interventions and comply with regulations. In the absence of regulation the relevant ministry can also provide guidance notes on financial education, thereby encouraging implementing entities to operate within a framework or policy. This could be by voluntary participation.

One of the important steps in developing the longer term strategy will be to carry out a "needs assessment" of financial education in the country. The purpose of this study will be to provide a baseline status of the financial education issues faced by the different target groups identified in this plan. This process can be followed up by the development of the longer term, and more informed, financial education programme. This should follow a sequential process entailing market research, concept development, concept testing, pilot testing, refinement and roll out.

In the interim, this implementation plan provides a good starting point in the development of the national strategy. By establishing the Steering Committee and implementing intervention-related activities in the short-term, progress in achieving short- and medium- term goals can be monitored, which will inform how the national strategy is developed and implemented in the longer term.

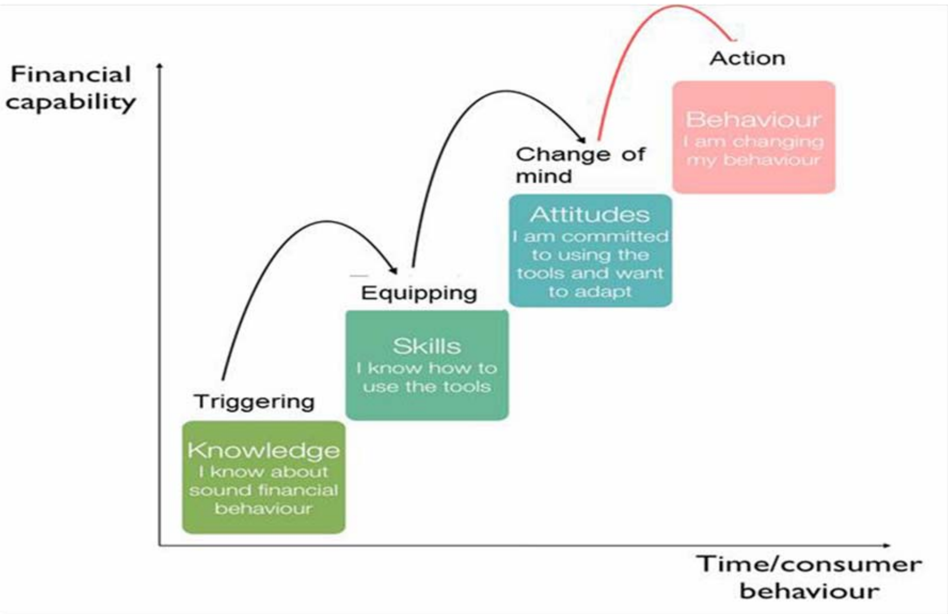
11 Measuring the impact of financial education

An important component of any policy, programme or intervention is on-going monitoring and evaluation. Without this, on-going improvements to the intervention are difficult to identify and the intervention's effectiveness and impact cannot be determined. The following section summarises the monitoring and evaluation system for the national financial education strategy which has been designed such that the effectiveness of the strategy can be measured at the individual, programme and overall strategy levels.

11.1 Measuring financial education

Financial education involves a sequence of changes: at the outset it leads to improvements in an individual's knowledge and skills, which in turn will progress to changes in the individual's motivation and behaviour. This is illustrated in Figure 4 below.

Figure 4: Components of financial education for M&E purposes



This sequence is important to note for the monitoring and evaluation system as the different components need to be measured differently. Participation in financial education training programmes, for example, will not necessarily lead to improved financial behaviour. A relatively small proportion of people attending a financial education programme are likely to remember and to act on what they have learned the first time they hear it. In order to effectively influence behaviour, it has been shown that financial education programmes should use repeated messaging over a period of time. This further illustrates that measuring the number of individuals attending a training session cannot be used to measure improvements in financial behavior. The differences in measuring changes in knowledge, skills, motivation and behaviour in the case of savings and credit are outlined in Box 5 below.

Box 5: Measuring financial education

Example of the differences in measuring knowledge, skills, motivation and behavior, in the case of savings and credit:

Savings

- Measurement of knowledge needs to provide evidence that the purposes of savings are known
- Measurement of skills needs to show that the capability exists to make a savings plan
- Measurement of attitude and motivation needs to show that there is a willingness to save ahead
- Measurement of behaviour needs to show that savings are put aside

Credit

- Measurement of knowledge needs to provide evidence that the purposes and costs of borrowing are known
- Measurement of skills needs to show that the capability exists to understand the true cost of borrowing
- Measurement of attitude and motivation needs to show that people understand prudent borrowing
- Measurement of behaviour needs to show that individuals are borrowing for the right reasons and are appropriately managing the repayments

11.2 What is monitoring and evaluation

Monitoring and evaluation refers to the systematic processes involved in measuring the effectiveness of an intervention's activities against determined and agreed outputs and the effect of these outputs on the expected outcomes. This allows for on-going adjustments and improvements to the intervention and allows for comparison between different interventions with similar aims.

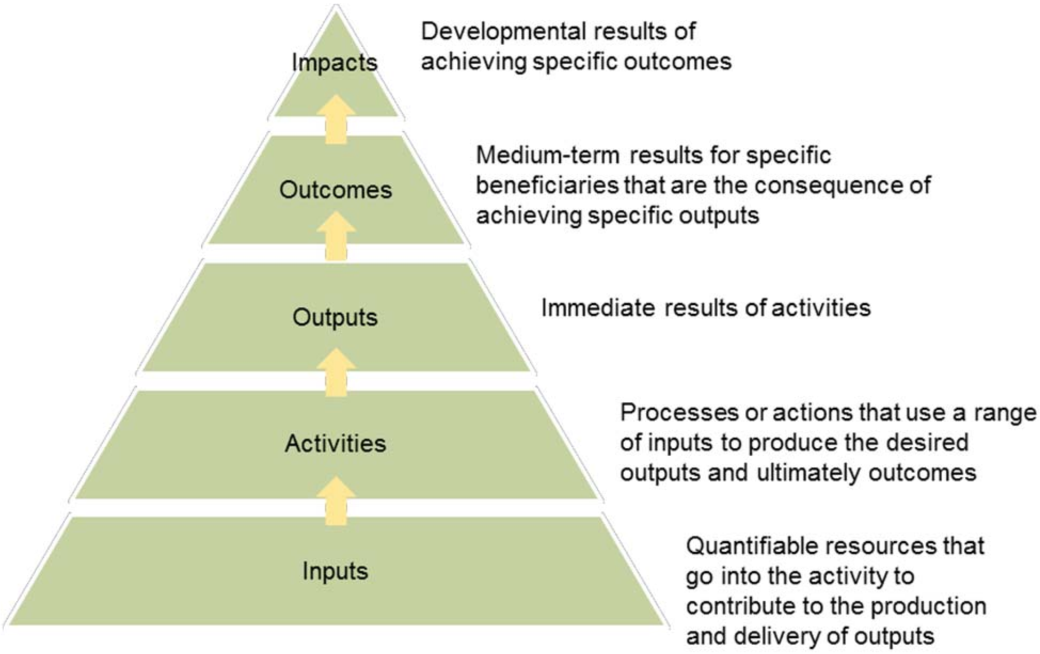
Monitoring is the on-going collection, analysing and reporting of data on inputs, activities, outputs, outcomes and impacts as well as external factors. Monitoring aims to provide managers, decision makers and other stakeholders with regular feedback on implementation progress; thus enabling continual programme improvements. Monitoring usually involves reporting on actual performance against that which was planned or expected. Thus monitoring is only possible if targets are set, activities are clearly defined and indicators established in the planning stages of an intervention.

Evaluation is a time-bound exercise that systematically and objectively seeks to provide credible and useful information to answer specific questions to guide decision making by managers, policy makers and other stakeholders. Evaluation analyses the information gathered both during monitoring and by other means to determine, for example, whether the outcomes are being achieved and to what extent these contribute to achieving the overall objective of the programme. Evaluation tools include the use of surveys, key informant interviews, focus group discussions and observations.

11.3 Components of a monitoring and evaluation system

In order to understand the extent and nature of change, monitoring and evaluation systems typically illustrate the sequential components needed to achieve the intervention's desired objectives, as illustrated and defined in Figure 5 below.

Figure 5: Results Chain



A results chain depicts the progress from inputs leading to outputs due to activities being completed, which in turn leads to outcomes and lastly to impact. In order to measure if an intervention is achieving its desired result, and to identify the factors which are restricting this, each of these components should be measured. This should be done using indicators at each level which are measurable, accurate, verifiable, specific, time bound, simple, obtainable and easy to understand. These relationships form the basis of a 'Logical Framework' described in the following section.

11.4 Monitoring and evaluation framework

Lesotho's national financial education imperative (can be used for the Strategy as well) is indicatively summarised in a 'Logical Framework', see Table 5. This shows how the planned activities related to the four target groups (school learners, employees, rural communities and the general population) result in defined outputs and outcomes and how, if these are achieved, they will result in the desired objective. Indicators are assigned at each level:

- Input indicators measure that which is required to implement project activities – for example, staff, equipment, operational facilities and disbursements

- Output indicators measure the tangible achievements of the programme
- Programme outcome indicators measure the changes resulting from the outputs of a programme
- Impact indicators of the strategy are high-level indicators that the measure the impact of the strategy itself and are a consolidation of the outcomes of the programmes which contribute to the national strategy.

The analysis of input and output indicators gives implementers an approximation of the programme's cost-effectiveness, management efficiency, and achievement of the programme towards its specific targets. Analysis of the outcome and impact indicators determines the impact of the programme or strategy. Box 6 below gives a fictional example of these different indicators as a means to illustrating this concept.

Box 6: Example of input, output, outcome and impact indicators

US$100 000, 50 trainers and 100 workbooks (*input indicators*) are used to train employees in the public sector, resulting in 15 000 trained civil servants (*output indicator).* An evaluation of the training programme showed that this training resulted in an increased knowledge of saving schemes, increased number of civil servants using a savings account, increased number of civil servants assessing and using credit for productive purposes and an increased number of civil servants who know about and use credit schemes (*programme outcome indicators)*. In addition, the evaluation showed that there was an increased number of civil servants who are able to make financial decisions in a more informed way about financial matters (*impact indicator)*

The skeleton Logical Framework below gives an example of an input, activity, output, outcome and impact – and the corresponding indicator – for each of the target groups. This needs to be further developed once the implementation plan is accepted.

Table 5: Indicative logical framework to be refined and finalised by each sub-committee

Strategic objective	To have a financially included population				
	Objective	**Example of an outcome indicator**	**Example of an output indicator**	**Example of activities**	**Example of an input indicator**
School learners	To instill sound financial practices in the Basotho population from a young age	Children have improved knowledge of financial products, basic financial terms, budgeting and money management.	Number of children that have been taught the financial education curriculum	Financial education curriculum is taught in the classroom	Teachers, school curriculum
Employed	To improve the employed population's knowledge, understanding, skills, motivation and confidence so as to secure a positive financial position for themselves and their families	Employees increase their usage of financial services such as opening bank accounts, buying insurance, saving for productive purposes and retirement as a result of the programme.	Number of government employees and factory workers participating in the financial education programmes	Workplace training takes place	Trainers, financial education content
Rural communities	To improve rural communities' knowledge, understanding, skills, motivation and confidence so as to become more financially stable	Rural communities increase their usage of either formal or informal financial services, such as stokvels and mobile money accounts, to protect against unforeseen shocks.	Number of rural people attending the financial education workshops	Financial education workshops take place in the rural communities	Trainers, finical education content
General population	To generate an awareness of good financial practice across the Basotho population	The Basotho population is more aware of general financial concepts.	Number of individuals listening to the financial education radio programme	Radio programme is broadcast	Radio content

11.5 Evaluation of impact

As discussed above, the impact of the national strategy will be evaluated at three levels:

Individual level: recipients of financial education are assessed to evaluate the extent to which their knowledge, skills, motivations and financial behaviour have changed as a result of the financial education.

Programme level: each programme is assessed to evaluate the extent to which it is achieving the expected outcomes for the respective target group.

Overall strategy level: the financial education programmes are assessed collaboratively to evaluate the changes in financial education at the population level and thus the impact of the national financial education strategy itself. The Logical Framework above provides some high-level impact indicators.

To effectively attribute increased financial literacy, and improved financial behaviour, to the national strategy, it is important to have baseline information on these topics. As discussed above, a baseline should be established. Once this has been established, data from the following data sources will be collected to assess this progress: financial education assessments conducted before and after training sessions, financial education surveys, national indicators such as levels of indebtedness, use of formal and informal products and growth in credit disbursements.

11.6 Stakeholder participation in M&E

The following section outlines the key stakeholders' roles and responsibilities for monitoring and evaluating the national strategy.

Stakeholders implementing financial programmes are responsible for setting objectives and targets for their programmes and tracking performance against these targets. These stakeholders are responsible for collecting and analysing data and reporting this to their respective sub-committee. Stakeholders implementing financial education programmes will be required to establish monitoring and evaluation capacity within their organisations so as to sufficiently undertake this role. These stakeholders will report to their respective sub-committee at agreed intervals, using agreed reporting formats.

National financial education strategy sub-committees are responsible for overseeing the monitoring activities of all stakeholders implementing financial programmes in their respective committee. Furthermore the sub-committee is responsible for collating and analysing this monitoring data and reporting this to the national financial education Steering Committee at agreed intervals, using agreed reporting formats.

National financial education strategy Steering Committee is responsible for setting objectives and targets for the national financial education strategy and tracking performance of the strategy against these. As the Steering Committee is responsible for overseeing all the monitoring activities of stakeholders implementing financial education, they are responsible for collating the monitoring data from all the sub-committees. One of the primary responsibilities of the Steering Committee is to develop, or commission the development of, a monitoring and evaluation system and toolkit for the national strategy to ensure that monitoring activities are uniformly conducted using common indicators, tools, formats and definitions. The Steering Committee is further responsible for analysing and disseminating the information and reports received from the sub-committees and highlighting key trends. Furthermore, the Steering Committee is responsible for utilising this information to make improvements to the strategy and implementation thereof. On the evaluation side, the Steering Committee is responsible for commissioning evaluations and the oversight thereafter.

Progress on the national strategy will be measured against key milestones, including:

- Setting up of the Steering Committee with appropriate designations in place;
- Setting up of the sub-committees with appropriate designations in place;
- Commissioning of technical assistance for relevant priority actions; and,
- Including financial education in the school curriculum.

Progress on these milestones should be tracked and should be reported to the broader financial education stakeholders.

This framework provides the basis for developing a monitoring and evaluation system for the national strategy. Once developed, the monitoring and evaluation system will be dynamic and iterative. It will need to adapt to changes in the financial education environment, technological advances and regulatory changes in Lesotho's financial sector.

Appendix 1: List of Stakeholders consulted

Representatives from the following organisations were consulted:

- Central Bank of Lesotho
- Ministry of Finance
- Ministry of Labour and Employment
- Ministry of Education
- Standard Lesotho Bank
- First National Bank
- Lesotho PostBank
- Alliance Insurance
- Metropolitan Lesotho
- Lesotho Funeral Services
- World Vision Lesotho
- BEDCO
- Motjoli Financial Services
- Catholic Relief Services
- Rural Self-help Development Assistance.
- Rural Financial Intermediation Programme (*RUFIP*)
- Care Lesotho
- UNDP
- SMME Network
- Lesotho Chamber of Commerce
- JP Financial services
- Moliko Finance Trust
- Boliba

Appendix 2: Best Practice lessons

To leverage financial education programmes to their maximum potential, the following best practices should be considered.

- **Clearly defined objectives and expected outcomes**: The process of identifying and communicating the objectives of the programme is important both for focused and effective implementation, and for robust design and execution of monitoring and evaluation processes.
- **Appropriate training arrangements**: Careful consideration needs to be given to the location, length and frequency of delivery. This needs to be sensitive to, and flexible around, the beneficiaries' commitments and the lifestyles of the target audience.
- **Qualified and competent trainers**: It is important that the trainer is adequately prepared and confident to deliver the content of the intervention, be able to answer questions beyond the scope of the financial education programme, and allow for and create discussion around people's own financial lives. Facilitators should therefore undergo thorough and on-going training, first to address their own financial wellbeing, and then in the delivery of the financial education programme. If they personally benefit from the training by incorporating improved financial practices in their own lives, they will be motivated and have greater confidence to conduct the training and pass on their learnings.
- **Leveraging existing structures**: An effective way of ensuring high participation and buy-in rates is to make use of established social and physical infrastructure. For example, this may be done through schools, churches, or existing community meetings, all of which provide a good point of access to a specific target audience.
- **Secure, safe and trusting environments**: Given the sensitive nature of financial matters, it is imperative to establish trust between participants and trainers. The incorporation of community members or contemporaries into the delivery team works well to achieve this. It is also important that objective outcomes of the intervention are clearly communicated to the participants, so that they are not ultimately disillusioned by misaligned expectations.
- **Appropriate language and literacy requirements**: The literacy levels and linguistic capabilities of the target audience need to be considered in the design of the delivery mechanisms. It is preferable to have trainers who speak local dialects, and who can explain key concepts such as 'compound interest' and 'investment', which are usually difficult to translate. For low levels of literacy, customised training tools, such as visual materials, are required.
- **Aligned to lifecycle interventions**: It is important to identify appropriate 'teachable moments' (such as leaving school; or entering the job market) and to tailor the content of the programme to this

moment. The relevance of the information to beneficiaries' lives at the time when it is received directly affects the extent to which it is absorbed.

- **Opportunity to apply and practice new knowledge**: Learning is greatly enhanced if the information received can be immediately applied as this reinforces knowledge and understanding at the crucial moment when the connection needs to be made between theory and practice. This could be done through a variety of 'learning by doing' approaches, including games, simulations, or the use of mock products.

- **Sensitive to context diversities**: It is critical to tailor interventions to the social and cultural idiosyncrasies of the target audience. There is no 'one-size-fits-all' formula for financial education, as projects must be customised according to the context of the beneficiaries, and be sensitive to social expectations around gender, religion, economic status, and other variables.

- **Constant innovation**: Constant innovation is needed in order to keep the content and delivery fresh and relevant in the context of the changing demands of the consumer market. Technology based approaches present the opportunity to take advantage of economies of scale and facilitate public accessibility. Mobile banking is demonstrative of the potential of mobile technology for widespread dissemination and use.

- **Monitoring and evaluation**: Without sound evaluation, organisations cannot attribute positive impacts or changes to specific interventions. It is important to determine which programmes and methodologies are effective; which are not; and why. This is the only way that interventions can be strengthened and improved.

Appendix 3: Reference list

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