INSIGHTS ON THE JOINT EU/OECD-INFE FINANCIAL COMPETENCE FRAMEWORK FOR ADULTS IN THE EU

Flore-Anne Messy

Head of Consumer Finance, Insurance and Pensions Division of the OECD Directorate for Financial and Enterprise Affairs
Executive Secretary, OECD International Network on Financial Education (INFE)
Secretary General, International Organisation of Pensions Supervisors (IOPS)

Joint ESAs conference on financial education
1-2 February 2022
Outline

Context
- A limited financial literacy for adults
- The Covid-19 crisis and financial resilience

OECD-INFE work to address these challenges
- OECD International Network on Financial Education (OECD/INFE)
- OECD Recommendation on Financial Literacy
- Existing OECD-INFE Core Competencies frameworks

Financial competence framework for adults in the EU
- Context and objectives
- Overall architecture
- Cross-cutting dimensions

Next steps
FINANCIAL LITERACY
AND
FINANCIAL RESILIENCE
A limited financial literacy among adults at a global level...

1. CONTEXT

Focus on EU Member States FL scores

- Slovenia: 14.7
- Austria: 14.4
- Germany: 13.9
- Estonia: 13.3
- Portugal: 13.1
- Poland: 13.1
- Czech Republic: 13
- Hungary: 12.3
- Croatia: 12.3
- Bulgaria: 12.3
- Romania: 11.2
- Italy: 11.1

The COVID-19 crisis brought the issue of financial resilience to the front

G20/OECD-INFE report developed for the G20 GPFI in 2021

Financial resilience as the ability of individuals or households to resist, cope and recover from negative financial shocks

How did the COVID-19 pandemic affect the resilience of households?

• Income decline or loss, drawing down savings (but also more precautionary saving for some), reducing consumption, deferring payments and debt repayments, and seeking government support
• Some groups who were already in a fragile position have been again heavily affected (low income, women, youth, precarious jobs)
• But also differential impact across economic sectors, with new categories strongly affected
OECD/INFE WORK TO ADDRESS THESE CHALLENGES
OECD International Network on Financial Education (OECD/INFE)

Global network
- Established in 2008. It comprises 270 public institutions (including most ministries of finance, central banks and financial regulators) in more than 130 countries and economies.

OECD / INFE work
- Needs assessment: Collection and analysis of data on the financial literacy of adults, students, MSMEs.
- Encouraging a strategic approach: national strategies for financial literacy.
- Supporting recent trends: digitalization of finance, financial resilience, sustainable finance…
- Support key target groups: youth, women, MSMEs, seniors…
- Global Money Week

Contribution to global fora
- G20 implementing partner / Global Partnership for Financial Inclusion (GPFI) and regularly contributing to APEC deliverables.

Regional platforms and technical assistance projects
- To develop national financial literacy strategies in the EU, Asia, Latin America, Eurasia (CIS), South-East Europe.
OECD Recommendation on Financial Literacy

Single, comprehensive, instrument on financial literacy
To design, implement and evaluate financial literacy policies
Building on 4 previous Recommendations, and work for the G20 and APEC

Holistic approach to financial-consumer issues
Where financial literacy, together with improved financial access, adequate consumer protection, and regulatory frameworks, are expected to support financial resilience and well-being

Key areas
1. National strategies for financial literacy
2. Financial literacy and the various sectors of the financial landscape
3. Effective delivery of financial literacy programmes
2. OECD-INFE WORK

Existing OECD-INFE Core competencies frameworks

Core competencies refer to the aspects of knowledge, behaviours and attitudes that form the basis of sound financial decisions.

Dynamic process that occurs throughout life

Four existing OECD-INFE Core Competencies frameworks:

- OECD/INFE Core Competencies Framework on financial literacy for Youth (aged 15 to 18) in 2015
- G20/OECD INFE Core Competencies Framework on financial literacy for Adults (aged 18+) in 2016
- OECD/INFE Core Competencies Framework on financial literacy for MSMEs in 2018
- IOSCO-OECD Core Competencies Framework on financial education for investors in 2019

In response to a call from G20 Leaders in 2013
THE JOINT OECD-INFE FINANCIAL COMPETENCE FRAMEWORK FOR ADULTS IN THE EU
Joint OECD-INFE/EC Financial competence framework for adults in the EU

**Context**
- G20/OECD-INFE Core competencies framework on financial literacy for adults (2016) used as a starting point
- Follows on from measures announced in the 2020 Capital Markets Union Action Plan
- Joint work between OCDE-INFE, European Commission, EU Member States with input from practitioners
- Published on 11/01/22 and officially launched on 25 January 2022

**Objectives**
1. Provide a common EU-level terminology and shared understanding of financial competences for adults
2. Support the development, implementation and update of national financial literacy strategies
3. Support the design and development of financial education programmes and their evaluation
4. Contributing to the overall goal of improving individual financial well-being
3. JOINT OECD-INFE/EC FINANCIAL COMPETENCE FRAMEWORK

Overall architecture of the framework

MONEY AND TRANSACTIONS
- Money and currencies
- Income
- Prices, Purchases and Payment
- Financial Records and Contracts

PLANNING AND MANAGING FINANCES
- Budgeting
- Managing Income and Expenditure
- Saving
- Investing
- Longer-Term Planning and Asset Building
- Retirement
- Credit
- Debt and Debt Management

RISK AND REWARD
- Identifying Risks
- Financial safety nets and insurance
- Balancing Risk and Reward

FINANCIAL LANDSCAPE
- Regulation and Consumer Protection
- Rights and Responsibilities
- Financial Education, Information and Advice
- Financial Products and Services
- Scams and Fraud
- Tax and public spending
- External Influences
### Digital financial competences

- Reflect digital developments accelerated further by the pandemic
- Digital currencies, digital tools, crypto-assets, personal data and personal data protection, digital financial products and services, online scams and fraud, cyber risks etc.

### Sustainable finance competences

- Competences necessary to make sound financial decisions that account for their sustainability (ESG) preferences
- Environmental impact of purchases, sustainability characteristics of investment products, greenwashing, climate-related risks, sustainability labels etc.

### Financial resilience

- COVID-19 pandemic further increased the need for improving households' financial resilience and tackling financial vulnerability
- Competences relevant to financial resilience tagged in Excel version

### Essential competences

- Competences that are particularly relevant to:
  - daily life and/or to current or future financial well-being
  - a majority of the adult population
NEXT STEPS
4. NEXT STEPS

Way forward

2022: Support the use of the framework in concrete policies, tools and educational materials, and to offer a platform for policy makers and stakeholders to exchange good practices and lessons learnt when taking up the framework.

2022/23: New EC/OECD framework for developing a financial competence framework for children and youth in the EU (under 18 years old).

THANK YOU!

Flore-Anne.MESSY@oecd.org
SecretariatINFE@oecd.org
oecd.org/financial/education/