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For SPI Committee Approval*

SPI Project on Improving Consumer Financial Education

<http://spi-albania.eu/en/2008-program/improving-consumer-financial-education/>

Final Project Working Group Recommendations

May 2009

Project information

PUBLIC-PRIVATE FINANCIAL SECTOR MODERNIZATION MATRIX					
Italian Banking Association CRITERIA	European Central Bank CRITERIA				
	<i>Asymmetric information reduction</i>	<i>Completeness of the market</i>	<i>Increased opportunities to engage in financial transactions</i>	<i>Reduced transaction costs</i>	<i>Increased competition</i>
Business development					
Industry competitiveness					
Industry reputation					X

Short description of the context: Consumer Financial Education is an increasingly important issue, given the rapid development pace of the financial market, the complex and sophisticated financial products that entail also more compel risks. In Albania, Bank of Albania (BoA) has had multiple initiatives on financial educations over the last years. The other stakeholders' involvement has been very weak and there has not been any coordination of various private and public initiatives.

Stakeholder proposing the project: BoA and Albanian Association of Banks (AAB)

Other Stakeholders involved : Ministry of Economy, Trade and Energy (METE), Financial Supervisory Authority (FSA), Consumer Protection Association, Professional organization

SPI Albania Secretariat

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Project objectives:

General: Improving consumer financial education

Specific: Increase levels of financial education and awareness among the large population

Operational:

To prepare a Strategic Plan on national consumer financial education on financial consumer education and a medium-term, structured and nation-wide financial education program to be endorsed by all stakeholders – with specific actions to be launched within three months after the endorsement by SPI Committee.

Description of the project contribution toward financial modernization: Financial education is bringing to consumers an improved financial situation, improved financial access, adequate retirement income and reduced risk of over-indebtedness. For SMEs financial education means development and growth. For financial industry, a better understanding of financial issues means a higher demand for financial products and promotes competitiveness and efficiency. Financial education serves the financial authorities' objectives of financial stability and of development.

Project Working Group:

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PWG meetings:

1st meeting – January 29,2009; Output: Project ToRs; Note on the International Experience; Scoping of the Problem Document; Presentation of Bank of Albania activities;

2nd meeting –March 9, 2009; Output: Note on Albanian experience; Cost-Benefit Qualitative Analysis; Medium Term CFE program (implementation plan)

3rd meeting – April 23,2009; Output: Note on Alternative Funding Sources; Strategy Proposals for CFE in Albania; Medium Term CFE program

Contributions:

PWG members: participation in PWG meetings and discussions; feedback on note on the Albanian Experience, cost-benefit qualitative analysis, medium term CFE program (implementation plan)

SPI Secretariat: draft Project ToRs; Note on the Albanian experience; Note on the International Experience; Cost Benefit qualitative analysis; National strategic plan on consumer financial education; CFE implementation plan; Note on alternative funding sources.

Other Supportive Activities: Presentation from the Bank of Albania on their experience on Consumer Financial Education as part of their mission

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1. Summary of PWG Analysis

International experience shows that financial education is considered a priority in many countries that have adopted in this regard National Strategies for Financial Education. This experience also shows that the financial education is provided through education programs being promoted by both public and private stakeholders ranging from government ministries, government regulators, central banks, consumer representatives, non-profit organizations etc.

In Albania, the general consumer protection regulation provides the compulsoriness of offering complete, correct and accurate information on products. Consumer Financial Education (CFE) is one of consumer rights laid forth by Consumer Protection Law¹ and Cross Sector Strategy on Consumer Protection and Market Supervision². Bank of Albania is the best local benchmark among local institutions, with multiple initiatives on financial education it has undertaken over the last years. The other stakeholders' involvement has been weaker and there has not been any coordination of various private and public initiatives.

Increasing levels of financial education and awareness among the large population becomes an important decision tool for consumers living in an increasingly sophisticated and globalized financial market to help them make more informed decisions and protect against risks. It also leads to financial market stability and to economic development.

Adopting a strategic plan for a structured and nation-wide financial literacy would be an important step towards ensuring coordination of all efforts and responsibilities that are shared by public and private stakeholders for the improvement of financial education in Albania. At the same time, it would facilitate financial involvement by public authorities, private institutions and donors.

Coordination between institutions requires not only commitment from the participating institutions but also the need to assign responsibilities for implementing the plan to an entity that has both the capacity and mandate to coordinate public-private initiatives as well as to manage information on what is being done by different actors and with regards to which consumer target groups. The Scoping of the Problem document presented in Annex 6 describes the context and the need for regulating/institutionalizing the financial education in Albania.

Strategy followed by the PWG

The objective of this project was achieved through PWG discussions, informed by relevant analytical work prepared by the SPI Secretariat.

¹ Law no. 9902 date 17.4.2008 on Consumer Protection

² Chapter 5.1.7 Campaigns that attempt to raise awareness and consumer education programs that include financial issues.

In order for all members in the PWG to have better information on what has been done so far by each of the PWG participating institutions and actual situation of financial education in Albania, SPI Secretariat prepared a note on Albanian experience based on the research and the information gathered from PWG members (please see Annex 2).

To inform the deliberations of the project working group on the possible options for improving financial literacy, SPI Secretariat prepared a compilation of the international best practices for financial education including EU and OECD recommendations (please see details in Annex 3). The effects of improving financial education in Albania are reflected by the cost - benefit qualitative analysis for firms, authorities and consumers (please see Annex 4).

In the effort to find a solution for institutionalizing the coordination between public and private stakeholders, SPI Secretariat prepared a strategic plan on national consumer financial education and an implementation plan (please see Annex 1). In order to provide information on available funds for making feasible the envisaged actions for improving financial education, SPI Secretariat prepared a note on alternative funding sources (please see Annex 5).

2. PWG Policy Recommendations

2.1. PWG recommendations for improving consumer financial education in Albania

The Project Working Group Members, based on their expertise and practical experience in financial education initiatives in Albania and on the various documents prepared by SPI Secretariat, have discussed and agreed on a strategic plan for nation wide financial education, presented in Annex 1.

This plan among others sets out the objectives and the principles to be followed for comprehensive and effective consumer financial activities and roles and responsibilities shared between stakeholders involved with CFE. The main objective of the strategic plan for nation wide financial education is to increase levels of financial education and awareness among the large population, which will be achieved through public private partnership with the participation of all interested stakeholders.

PWG formulated the following recommendations:

2.1.1. to promote the enactment of the National Strategic Plan for Consumer Financial Education as an instrument for mainstreaming and coordinating stakeholders' efforts;

2.1.2. Public authorities (METE and MoF in cooperation with the Donor Coordination Department at the Council of Ministers) to be main promoters and coordinators of the strategic plan for national financial education, which is an important add-on together with the medium term action plan for a practical guideline to CFE involved institutions. Other institutions such as Ministry of Education and Science, Ministry of Labor, Social Affairs and Equal Opportunity, Financial Supervisory Authority, Bank of Albania, Albanian Association of Banks be also involved according to the scope of their work.;

2.1.3. to establish a new public institute responsible for Consumer Financial Education.. This institution could have both the capacity and mandate to coordinate public-private initiatives as well as to manage information on what is being done by different actors and with regards to which consumer target group;

2.1.4. Institutions dealing with CFE to apply for funding from European Union such as TAIEX (Technical Assistance and Information Exchange) and/or IPA (Instrument for Pre-Accession Assistance).All institutions could apply for TAIEX to get assistance for legislative acts, capacity building and project management..

2.1.5. In getting IPA funds for a more substantial and long-term support:

- the applying institution be a public one, in order to increase the possibilities of funding;
- the close coordination with the Ministry of Integration be considered as highly important, as IPA priorities are set locally and regionally. These priorities depend largely on the applicability of the ASA (Association and Stabilization Agreement) and on the governments' agendas;

METE be the applying institution for CFE due to its role as the main stakeholder for CFE and its previous experiences with CARDS (now incorporated within the IPA Adriatic). Under these circumstances and based on the need for establishing a new public institute for Consumer Financial Education (as indicated in point 2.3 above) it is of paramount importance that METE applies for IPA funds, which could be earmarked for establishing the institute and institute's activity.

2.2. Proposed Action Plan for implementing PWG recommendations

In order to get public attention and support for implementing the above mentioned PWG recommendations, stakeholders' actions should be coordinated in order to:

- raise awareness on the need to launch the consumer financial education on a nation wide scale;
- include National Strategic Plan for Consumer Financial Education in the Strategy for Public Administration and any other relevant sector strategy;
- ensure public financial resources that would support National Strategic Plan for Consumer Financial Education CFE and coordination.

For reaching these objectives, PWG proposes, at this stage, the following steps to be taken:

- a) Based on a round of bilateral meetings with relevant stakeholders, the Project Owner will assess the opportunity of organizing a public consultation on the PWG recommendations, under SPI Committee's aegis and with participation of all stakeholders. International donors will be invited to the event.

- b) Within this event, SPI Committee will address an open letter to MoF, METE and Donor Coordination at the Council of Ministers asking them to consider taking the lead in Consumer Financial Education initiative by:
 - including the National Strategic Plan in the Strategy for Public Administration and any other relevant sector strategy (eg. Education Sector Strategy) - the Donor Coordination Department at CoM;
 - taking the initiative to establish a public institution/agency for coordinating Consumer Financial Education – METE/MoF;
- c) The main involved institutions will be asked to comment on this open letter during the event;
- d) As a follow up to this event, sending SPI Committee letters and the minutes of the event to MoF, METE and Donor Coordination Department at the Council of Ministers;
- e) As a follow up to this event, sending SPI Committee letter to the Ministry of Integration, asking for their support in applying for IPA funds.

SPI Secretariat will coordinate and support SPI Albania partners in organizing the event, and in undertaking the follow up actions. SPI Secretariat will follow up with all institutions in order to get their feedback; in case the feedback brings substantial changes to the proposals, SPI Secretariat will make the appropriate modifications to the sequence of proposed events and inform SPI Committee accordingly.

3. Proposed SPI Committee Decision

SPI Committee endorses PWG recommendations and the implementation plan.

Annexes

Annex 1

ALBANIA STRATEGIC PLAN ON NATIONAL CONSUMER FINANCIAL EDUCATION

I. The need for a Strategic Plan on National Consumer Financial Education

I.1. Consumer financial education – definition and importance

Albania's consumer financial education stakeholders consider that OECD's (Organization and Economic Co-operation and Development) definition on financial educations is the most comprehensive one and should be adopted by Albanian authorities as well:

“Financial education is the process by which financial consumers/investors improve their understanding of financial products, services and concepts and through information, instruction and/or objective advice, develop the skills and confidence to become aware of (financial) risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection³”.

The difference between the 3 components of the consumer financial education is the following: **Information** is a fact or series of facts that require interpretation and assessment. **Education (instruction)** is the teaching and learning that provides people with the ability to interpret information and assess advice, while **advice** involves the provision of guidance or recommendations on financial direction⁴.

Financial education is important as it improve people's financial well-being. In the current context of development and modernization of the financial sector, more complex products that are offered and growing range of risks affecting households at macro and micro levels, an enhanced financial understanding and awareness of consumers becomes important. A better understanding of the financial products would help consumers make more informed decisions and thus being more protected against risks. Improved financial education reduces the information asymmetries, causes higher demand for financial products by consumers, improves financial situation and access of the consumers and it also promotes market transparency, competitiveness and efficiency. On a macro level, it leads to financial market stability and of the economy as a whole.

³ OECD. (2005). Improving Financial Literacy: Analysis of Issues and Policies.P 26

⁴ Feslier, D (2006), Financial Education and Financial Literacy in New Zeland.

I.2. International experience in consumer financial education

The international experience shows that financial education is considered a priority in many countries having adopted in this regard National Strategy for Financial Education as it is the case of New Zealand, Austria, United States of America, Czech Republic, United Kingdom etc. In most cases the national strategy has been launched and coordinated by a dedicated government structure set up by authorities as it is the case of UK Financial Services Authorities, US Financial Literacy and Education Commission, Australian Literacy Foundation, New Zealand Retirement Commission.

The financial education is provided through education programs being promoted by both public and private stakeholders ranging from government ministries (UK, Czech Republic), government regulators (Australia, Brazil, Canada, France, Japan, United States), central banks (Poland), consumer representatives (Estonia), non-profit organizations (Austria) etc. In most EU countries education programs target children and young adults and the most important mean of distributing financial education is through internet. Other education programs targets immigrants and the elderly (Sweden).

I.3. Albanian experience with consumer financial education

The analysis of the individual experiences of Bank of Albania, Albanian Consumer Association, Financial Supervisory Authority, Pro Credit Bank and Raiffeisen Bank resulted in the following conclusion:

- the activities undertaken throughout the last few years intended higher awareness and better information towards consumers with regards to financial products;
- almost all the undertaken initiatives have been unilateral and there are few if none inter-institutional, co-financed, co-organized initiatives;
- all the initiatives taken so far (with the exception of some of BoA activities) have been local and fragmented and no national programs have been developed;
- while different institutions are driven by different motives in their financial education activities (business improvement for the banks, consumer awareness for associations) their activities are very similar and complementary to each other;
- none of the initiatives covered all age groups and/or professional categories.

The Project Working Group considers that one of the most important aspects missing in consumer financial education in Albania is coordination between institutions and notes that coordinated actions needed for the improvement of financial education in Albania require not only commitment from the participating institutions but also a 'guardian' that has both the capacity and the mandate to coordinate public-private initiatives as well as manage information on what is being done by different actors and with regards to which consumer target groups.

I.4. The need for a Strategic Plan on national consumer financial education

The release of a Strategic Plan on national consumer financial education represents the Government's statement on the highest priority that consumer financial education has for ensuring the sustainable development of Albania.

A Strategic Plan on national consumer financial education for consumer education is especially important given the context of the recent financial crisis and globalization.

The Strategic Plan on national consumer financial education is necessary in order to set up the standards for consumer financial education initiatives, the principles to be followed for coherent, comprehensive and effective activities, the coordination of all efforts and responsibilities sharing between stakeholders.

It is also meant to prompt for an active stance of the public institutions that have responsibilities in sustaining the public good through consumer financial education.

The promotion of a Strategic Plan on national consumer financial education on consumer education would also facilitate the allocation of the state budget funds for the fulfillment of the public institutions' responsibilities in this respect. At the same time, benchmarking private initiatives with the directions set forth by the strategy could be used as a selection criterion for funding requests to the public budget or EU.

II. Objectives of the Strategic Plan on National Consumer Financial Education

The main objective of the Strategic Plan on National Consumer Financial Education is to increase levels of financial education and awareness among the large population.

The main objective is to be fulfilled through the following specific objectives:

- (i) Designing financial education programs based on the needs and financial literacy level of the target groups;
- (ii) Providing financial education to all group ages on a continuous basis;
- (iii) Ensuring full coverage of the national territory;
- (iv) Coordinating all consumer financial education initiatives;
- (v) Enhancing the public private partnership with the participation of all interested stakeholders (incl. non governmental organizations);
- (vi) Constructing tools and make resources available to mobilize stakeholders (e.g. seminars, conferences etc);
- (vii) Ensuring follow up and result measurement.

III. Principles for consumer financial education activities in Albania

Consumer financial education is to be conducted in Albania according to the following principles:

- Public authorities are responsible for developing a Strategic Plan on National Consumer Financial Education in consultation with all interested stakeholders;
- Public authorities are responsible for coordinating the implementation of the Strategic Plan on National Consumer Financial Education. Public authorities could outsource partially or totally coordinating tasks according to specific procedures (to be developed);
- Financial education should complement financial consumer protection;
- The main priority issues to be considered as part of this strategy are to be determined by the national circumstances and by the needs of all groups identified through national surveys;
- Financial education is to be provided continuously and to be sustainable in the long run;
- All group ages should benefit from financial education starting with children and young adults and should start in school;
- Financial education programs:
 - should be unbiased, fair, efficient and coordinated;
 - could be public-private initiatives with a variety of partners such as public institutions, private financial institutions, consumer, professional organizations and others;
 - should be customized by type of target audience;
 - should focus primarily on “money basics”;
 - should be assessed and updated periodically;
 - should use multiple instruments and dissemination channels (website, mass media etc);
 - should have efficiency assessment and methodologies;
 - should be assessed periodically.

IV. Timeframe of the Strategic Plan on National Consumer Financial Education

The timeframe of the Albanian Strategic Plan on national consumer financial education on Financial Education is 5 year covering the period 2009-2014. The strategy could be revised in case circumstances will require so.

V. Roles and Responsibilities of Key Stakeholders under the Strategic Plan on National Consumer Financial Education

Public authorities are promoting and coordinating the implementation of the Strategic Plan on National Consumer Financial Education.

Public authorities are responsible to assess periodically the level of financial literacy in Albania. Results of the surveys on financial literacy will be disclosed to the public and will be used to customize consumer financial education initiatives.

- Ministry of Economy, Trade and Energy (METE)/Ministry of Finance is the first promoter of the consumer financial education strategy and the coordinator of its

implementation. In this context, it cooperates with the Donor Coordination Department at the Council of Ministers to ensure integration of financial education in the Strategic Plan on national consumer financial education for Development and Integration. Ministry of Economy, Trade and Energy (METE)/ Ministry of Finance allocates funds in the state budget earmarked to financial education programs and surveys assessing level of financial literacy.

- Ministry of Education and Science is responsible for promoting financial education by including it in the school curricula and by offering logistic support given their broad territorial coverage capabilities.
- Ministry of Labor, Social Affairs and Equal Opportunities supports financial education programs by offering logistic support in reaching special groups and communities (e.g roma community or other excluded groups).
- Financial Supervisory Authority (FSA) coordinates consumer financial education initiatives of the financial institutions under its supervision and develops its own initiatives.
- Bank of Albania coordinates consumer financial education initiatives of banks and other institutions under its supervision and develops its own initiatives.
- Albanian Association of Bank should coordinate banks' common efforts related to financial education initiatives.

Public and private institutions will cooperate in implementing the Strategic Plan on National Consumer Financial Education.

Private institutions will observe the Strategic Plan on national consumer financial education in designing and implementing consumer financial education programs and initiatives.

Public authorities, as main promoters of CFE will establish a new public institute that is responsible for Consumer Financial Education. Its main role will be to coordinate all public-private initiatives as well as supervise and manage information on what is being done by different actors and with regards to which consumer target group;

VI. Implementation: Channels, Funding

Channels

Implementing the Strategic Plan on national consumer financial education on financial education in Albania requires a set of planned actions consisting of customer information, instruction (education) and advice. This mix of actions requires various distribution channels that will have a two fold purpose:

- To reach as many consumers as possible;
- To transmit the information that meets customers' needs and that is understandable.

In Albania the distribution channels⁵ for financial education should be tailored to the action type be it information, education or advice and include the following:

- television, radio, newspapers
- training courses;
- printed or online publications (brochures, magazines, booklets, guidance papers, newsletters, annual reports, disclosure documents);
- advisory services such as telephone help lines;
- internet web sites/online services;
- public awareness-raising campaigns;
- events (including lectures, national workshop/forum, symposia, presentations);
- school programs and curriculum;
- other methods (including videos, computer programs).

The Albanian stakeholders will need to think on what is the most effective distribution channel for the consumers they are targeting based also on the local conditions. A prior survey in this regard is necessary particularly for designing the financial education programs.

Funding

The proposed Strategic Plan on national consumer financial education on financial education is suggested to be a public private partnership and this implies involvement by many stakeholders. The possible alternatives for funding the financial education programs and various actions in Albania are as below:

Public funding

Authorities through Ministry of Finance should have a significant contribution to financial education programs allocating funds in the state budget earmarked to financial education programs and surveys assessing the level of financial literacy.

Private funding

The private funding could be sought through private institutions such as different NGO-s, banks etc. that will have a stake in financial education initiatives.

EU funding

Both authorities and private stakeholders could ensure EU funding considering that the purpose of it is to finance programs and efforts in the framework of a Strategic Plan on national consumer financial education that is priority for the Government and private stakeholders.

⁵ Some of the distribution channels in the list are already being used by various institutions that provide financial information only.

VII. Implementation Plan

The following implementation plan has been designed in accordance with the above mentioned considerations, so as to ensure that the Strategic Plan on national consumer financial education will achieve its objectives.



Implementation Plan

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
General	Assessment of the current financial literacy level in Albania	Public and private stakeholders	METE MOF	6 months	The assessment is important in designing financial education programs based on the needs and financial literacy level of the target group
I. Information	I.1. Run a public awareness-raising campaign	<p><u>Main:</u> Ministry of Economy, Trade and Energy/ Ministry of Finance</p> <p><u>Secondary:</u> Donor Coordination at Council of Ministers Ministry of Education and Science Bank of Albania/Banks Financial Supervisory Authority & institutions under its dependence</p>	METE MOF	1 year	<p>National wide campaign, conducted in Albanian language in order to reach all citizens focusing on the importance of being adequately informed about financial issues important for making the right decisions. The aim of this campaign is to encourage people get informed on financial issues such as:</p> <ol style="list-style-type: none"> 1. The importance of having a bank account; 2. The importance of savings for retirement 3. The role and the risks of borrowing; 4. Other risks for consumers (identity theft, fraud, etc); 5. The role of insurance services (life, non-life products and investment funds) 6. The role and use of debit/credit cards;

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
		Ministry of Labor, Social Affairs and Equal Opportunities			<p>7. Importance and use of online banking.</p> <p>Awareness raising can be achieved using various means including newspapers, radio, television, internet, bill boards, bus advertisements, conferences etc.</p>
I. Information	<p>I.2. Expand and improve online information</p> <p>A. Individual websites</p>	METE, MOF, MLSO, FSA, MES, BoA/Banks	Individual institutions	<p>1 year</p> <p>Update information throughout timeframe of the Strategic Plan on national</p>	<p>Posting on the respective institutions website relevant information on financial products and services, risks, benefits and uses, best practices, basics mathematics e.g. the calculation of interest, commission, principal.</p> <p>The information that could be posted by individual institutions is as follow:</p> <p>MoF: Information about the importance of</p>

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
				consumer financial education	<p>non-cash transactions for the whole economy and for individuals, information about taxes, risk of tax evasion.</p> <p><u>METE</u>: Information about the rights of the consumers; policies/regulations that aim their protection.</p> <p>Bank of Albania: On the BoA’s website there is posted information on financial education such as the role of BoA, banking sector glossary of economic terms; credit bureau and many others. It is proposed that other stakeholders use BoA example as their benchmark.</p> <p><u>Banks</u>: Banks should de-commercialize their web pages a little bit in order to incorporate more educational material as in the BoA case. Another option could be of having a special website for Consumer education only but with links-illustrative to their products. Information that could be posted is about banking products (loans, deposits etc); financial risks (interest rate, foreign exchange), importance of debit/credit cards; risk of fraud, basic financial mathematics explanations; interest calculators,</p>

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
					<p>games, quizzes etc.</p> <p>MES: Online training for teachers of economy with relevant guides on basic concepts on financial issues. Web links to other financial institutions. Information about curricula containing financial education issues.</p> <p>FSA: FSA has already established a good library of educational material posted on their website for the insurance, securities and private supplementary pensions markets, but they are non-user friendly. Therefore it is suggested that the material posted be improved and simplified in a user-friendly page.</p>
I. Information	<p>I.2. Expand and Improve online Information</p> <p>B New website on financial education</p>	BoA, Banks, MOF, MES, MLSO, FSA, METE	Public – Private Partnership	<p>1 year</p> <p>Updated on a regular basis</p>	<p>Creation of a money management.org website for general information with the contribution of all stakeholders involved. The website can include:</p> <ul style="list-style-type: none"> • Information about banks products and services, fees, commissions and the risks associated • Information about investments, insurance, pension schemes, capital market etc. • Rights of consumers; • Links to websites of financial

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
					institutions; <ul style="list-style-type: none"> • Glossary of economic terms; • Games, quizzes; International examples: www.itsyourmoney.ie , http://www.federalreserveeducation.org/fred/ , http://www.yourmoney.cba.ca/ , http://www.lafinancepourtous.com/
I. Information	I.3 Elaborate guides on specific financial sector issues (savings, investment etc)	BoA, Banks, FSA	All	1 year	BoA is a good example of making guides available online as well as delivering them in hard copies. BoA should keep maintaining this task. Other stakeholders on the other hand might need to consult said guides for a better reference and proper adoption on a case by case basis. Guides may be made available online as well as delivered in hard copies.

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
	I.4 Publications, leaflets, bulletins, newsletter	All stakeholders	All stakeholders	An ongoing process	These materials can be delivered in the waiting area at each individual institution. Leaflets could be made available at bars and shops.
II. Instruction	II.1 Organize courses, seminars, workshops, meeting with the target groups	BoA, Banks, FSA, MOF, METE, MOE, MLSO	Individual Institutions Financial Education Institute established with the purpose to provide financial education courses, seminars, workshops etc.	An ongoing process	The events could be organized at the individual institutions' premises; faculty' premises; any other location that is most near to the target group. Stakeholders must see the opportunity for creating a special institute on financial education that coordinates and organizes financial education events
II. Instruction	II.2 Include in the school curricula financial education	MOE, MOF	MOE	1.5 years	MOE must ensure that financial education issues are included in the school curricula (economy textbook) such as topics of pocket money management, student loans, loan calculations and savings. These concepts could be introduced to the 8 or 9 graders and high school students. MOF must ensure that it allocate the necessary

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
					<p>funds in the budget to implement this initiative.</p> <p>MOE should provide the relevant training to the teachers of economic related subjects to allow for proper implementation of this initiative.</p>
	II.3 Design and implement special financial education programs for children and adults	MOE, MOF, BoA, Banks, METE, MLSO, CFE Institution	All	2 years	Through this program children and adults can be reached at school or workplace.
III Advice	III.1 Set up toll-free telephone numbers	BoA, Banks	Individual institutions	An ongoing process	These services should be offered using a simple language and on a continuous basis
	III.2 Encourage banks to train staff on financial education	BoA and Banks	Individual institutions	An ongoing process	Bank staff will be responsible for offering advice on financial issues to the target groups
	III.3 Develop warning systems	BoA, Banks, FSA	Individual institutions	An ongoing process	Customer should be instructed about financial risk and fraud. The warning section should be

	Proposed actions	Stakeholders	Coordination Role	Timeline	Comments
	for consumers				included in the contract agreed with the customer.
	III. 4 Creating a mentoring service	BoA, Banks, FSA	Individual institutions	An ongoing process	The role of this service is to follow up the target group informed and instructed regarding financial education issues.



Annex 2

Note on the Albanian experience in Consumer Financial Education

1. Summary findings of the research on Albanian Experience on Consumer Financial Education and of the information provided by Project Working Group members

This Note is based on the research and the information gathered from the Project Working Group Members representing different institutions on Consumer Financial Education: Bank of Albania, Albanian Consumer Association, Financial Supervisory Authority, Pro Credit Bank and Raiffeisen Bank.

The analysis performed based on the information received revealed the following conclusions and lessons learnt on the various experiences with Consumer Financial Education:

- all the activities undertaken throughout the last few years intended **higher awareness and better information** towards consumers with regards to financial products;
- almost all the undertaken initiatives have been **unilateral**. There are few if none inter-institutional, co-financed, co-organized initiatives. This fact has limited the scope of the activities and largely reduced the potentially higher results;
- while different institutions are driven by different motives in their financial education activities (business improvement for the banks, consumer awareness for associations and financial stability in macro terms for BoA), their **activities are very similar and complementary to each other**;
- all the initiatives taken so far (with the exception of some of BoA activities) have been local and fragmented. There are **no national scale activities** to improve consumer financial awareness;
- the most explored means of financial education so far are: **publications- manuals, handbooks, leaflets and lectures** in educational institutions and other consumer communities;
- **banks should join public initiatives or programs** developed by independent NGOs in order to make a better delimitation between promotional campaigns and education initiatives;
- joint initiatives could ensure **a better impact with less individual resources**;
- none of the initiatives covered all age groups and/or professional categories;
- instruments used and communication channels should be adequate to the targeted groups;
- the language used in delivering financial education has to be simple and illustrative;
- evidence and coordination of different initiatives, as well as assessment of their impact, are advisable.

2. Details on Albanian institutions' experience with financial education

The individual experiences with consumer financial education are described and analyzed in the attached table.

2.1. Bank of Albania

Bank of Albania experience with consumer financial education is the richest and most articulated one among interviewed institutions. Its initiatives were directed mostly to schools and universities and comprised a wide range of actions and communication channels to transmit information. Bank of Albania has created a considerable database of publications and education materials that could serve as benchmark for other financial actors.

Bank of Albania emphasized some valuable conclusions on consumer financial education:

- information for financial education should be simple, short, using non professional language, but illustrative to the age group or category it targets;
- innovative activities such as games and simulation events work very well for target audiences whose attention is difficult to win (students, teenagers);
- nation – wide activities are more efficient yet few;
- commercial - driven initiatives leave little if no space to education in comparison to promotion. They draw more attention span to the current benefits rather than making the consumers understand the true concept of the products offered. This generates higher short-term return on invested resources but do not build long lasting lessons for the customer who in order to be targeted for new products would have to be re-informed from the beginning;
- while high school and university students have been targeted by most actors of financial education, grade students, housewives, and working adults could provide for new and effective target groups (access through institutions- schools/ work place and residences).

2.2. Albanian Consumer Association

Consumer Financial Education is one of the main scopes of the Albanian Consumer Association. ACA target audiences include the widest range of social groups (not only high school and university students but working adults and non-working seniors etc.) The most used channels of communication for ACA are publications and seminars, leaving space to alternative means – website, electronic newsletters, etc.

2.3. Financial Supervisory Authority

FSA fundamental mission is to “protect the consumers’ and investors’ rights and to ensure the safety of the supervised operators through law enforcement”. With only a few years of experience and limited operational resources, FSA has already established a good library of educational material posted on their website for the insurance, securities and private supplementary pensions markets.

While FSA has collected much information in its respective areas of activity, the material is accessible mainly through the website and does not employ simplified language or user friendly illustrations that could expand the target audience to more than professionals- to whom the currently used language is familiar.

2.4. Commercial Banks

Banks' initiatives for consumer financial education are very attractive and market oriented, but it is though difficult to distinguish the promotional from the educational elements. By joining public initiatives, the public good pursued by banks could be emphasized. Most of the activities are very attractive and innovative but they generate low participation in terms of learning – this being a secondary focus. The target audiences for the banks vary on the specific products they want to promote or, as in the case of Raiffeisen, on other objectives such as recruitment.

DETAILS ON INDIVIDUAL EXPERIENCES WITH CONSUMER FINANCIAL EDUCATION

NO.	PROGRAM / TARGET AUDIENCE	MAIN ACTIONS	CONTENT	COMMENTS
Bank of Albania				
1.	Inter-institutional collaboration with Ministry of Education (Memorandum of Understanding)			
2.	Educational Program “Central Bank in the Daily Life” targeted to Students, teachers and trainers.	Preparation of educational handbooks (30 different titles)	<ul style="list-style-type: none"> ▪ Students’ Guide ▪ Your first bank account Guide ▪ Build your future – Plan your income ▪ Banks in the Age of Internet ▪ Electronic money – the future? ▪ Loan and Credit = an issue of interest. ▪ Why do we need a personal budget? ▪ What is the ratio for the creditor? ▪ The ABC of interest rates. ▪ Bank of Albania – our central bank. ▪ Waiting for the credit registry. Etc. 	Simplified language with contemporary illustrations of day to day activities.
		Meetings and distribution of educational materials to high school students in different cities around the country,		
		Study tours to Bank of Albania		
		Governor’s visits to different High Schools		

		University lectures from the Governor		
		Training sessions for teachers		
		Trainign sessions for social workers		
		‘Central Bank Day’ in Universities		
		BoA publications delivered to the Commercial banks for distribution in the waiting areas		
		High School Competition “The true Value of Money”	<ul style="list-style-type: none"> ▪ Central Banks in the Region ▪ Central European Bank ▪ Preparation for EURO, your guide for Euro banknotes ▪ European Community and the Euro 	
		University Competition “Governor’s Award for the best Senior Thesis”		
3.	Collaboration with the interest groups (media, teachers, students, social workers).	Seminars, Distribution of BoA publications and training of trainers.	Presentations and published material.	
4.	Other Actions for public information	Webpage (expense calculator, income calculator)		Building communication channels with website visitors and facilitating consumers search for financial information
Future Objectives		Diversification of communication means – events, lectures, articles, publications, electronic communication, conferences, trainings and the library		
Albanian Consumer Association				
1.	Training of trainers in the local counseling offices	Seminars and lecturers of local and foreign experts	Various	
2.	Family budget administration and savings management (households,	Publications and seminars	Main topics: a. Why do we need a family	

	community groups)		<p>budget</p> <p>b. What are expenses and savings, what does 'saving' mean in the market economy</p> <p>c. Do we have the right for profit</p> <p>d. What do we understand by 'credit'</p> <p>e. Why do interest rates change?</p> <p>f. What does a loan contract include?</p> <p>g. Financial transparency.</p> <p>h. What is foreign exchange?</p> <p>i. What do we understand by interest rates, inflation, deflation etc.</p>	
3.	Education on the current legislation with regards to finances and financial consumer protection	Publications and seminars	Legal commentaries	
4.	Collaboration with educational institutions (high schools and Universities)	Drafting of handbooks and lectures, distribution of leaflets and newsletters and other free material	"Economic Financial Knowledge"- Student's Guide	
5.	Other initiatives for general public awareness	Conferences, Seminars, study tours, material distribution	<p>Available for free to the public:</p> <p>Monthly Newsletter</p> <p>Leaflets, posters</p> <p>Legal Commentaries</p>	
Financial Supervisory Authority				
1.	Public information and awareness.	Preparation of website information	<p><u>Insurance Market</u></p> <p>- Improving Financial education and awareness on insurance and private pension funds (OECD)</p> <p>- Information on Insurance Companies</p>	

			<ul style="list-style-type: none"> - Principles of Capital Adequacy and the affordability of payments for the insurer. - Non-life insurance – basic information (Part 1) - Introduction on non-life re-insurance (Part 2) - Report Analysis for Distance Monitoring (Part 3) <p><u>Securities Market</u></p> <ul style="list-style-type: none"> - Capital Markets - Stock Exchange - Financial instruments and Securities - Investing in Securities, Potential Risks – Education Material <p><u>Public Offers</u></p> <ul style="list-style-type: none"> - Obligations of the stock issuers on continuous information and full transparency for the Investors. - Private Supplementary Pensions Market - Guidelines for the licensing of the pension funds (OECD Recommendations) - Good practices of alternative investments risk management 	
Pro Credit Bank				
1	Pro Kid (children younger than 14 yrs) New bank product that consists in savings account for children younger than 14 in order to educate the	- Open classes in grade schools where bank employees present the bank as a financial institution concept, different professions,	Information Leaflets	These activities are organized periodically

	youngsters with regards to savings and investments in the future.	and savings. - Study tours (on Saturdays) in the different branches where mini-parties are organized to create a friendly environment where children can learn about the bank and its products.		
2.	Pro Student – New bank products created for current and prospective university students in order to introduce the concepts of : savings, debit and credit cards, and student loans.	- Open classes in Universities and open house days in different branches (e.g. National Savings Day).	Information Leaflets	These activities are organized periodically
3.	National Savings Day – Different activities organized in the premises of banks’ business customers	Presentations, Q&A,	Information leaflets	These activities are organized periodically
4.	National Retirement Day- different activities organized in retiree’s communities, neighborhoods, as well as in the different branches of the bank	Presentation of products targeted to this category of consumers		These activities are organized periodically
Raiffeisen Bank				
1.	One day at the Faculty of Economics	Lecturers held by CEO, CCO, and other High Management Staff with the purpose of presenting the largest commercial bank to the students and introducing the market innovative products	Different Publications, PPT presentations.	Annual or semi-annual event.
2.	The Game of the students of Finance in the New York Stock exchange 2008’	University students played with virtual funds in the New York Stock Exchange, which is one of the biggest and most important Stock Exchange in the world. The students separated in groups participated in this Stock Exchange by buying and selling shares of different companies	Financial support for the organization of the event and the winners	Annual Event- A very innovative idea that promotes learning through playing.

		with virtual funds, giving this way the possibility to the students to know the international practices and to play the role of the real dealers.		
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Annex 3

Note on international experience in Consumer Financial Education

Summary of the findings of the research in the international experience on consumer financial education

Based on surveys and researches in their member states, European Commission and Organization for Economic Co-operation and Development released principles and good practices that could be used for launching and running successful financial education programmes or schemes.

These principles and good practices together with the main findings of the surveys and research studies refer to stakeholders, audience, content, channels.

The conclusions of these are as follows:

- public authorities should develop national strategies for financial education, setting up participants, responsibilities, sources;
- public authorities should coordinate financial education programs;
- financial education programs should be unbiased, fair, efficient and coordinated financial education;
- financial education should complement financial regulation that is intended to protect consumers;
- financial education programs should focus on main priority issues as determined by the national circumstances;
- financial education program should have a variety of operators (public institutions, private financial institutions, consumer, professional and other organizations);
- private financial institutions should have financial education as a part of their corporate governance;
- financial education should be provided continuously;
- financial education programs could be developed by a variety of public and public stakeholders;
- financial education programs should be designed in order to answer consumer needs, as determined a-priori;
- financial education programs should be customized by type of target audience;
- financial education should start in school and should focus particularly on important life planning aspects, such as basic savings, debt, insurance or pensions;
- financial education programs should have efficiency assessment methodologies;
- financial education programs should be assessed and updated periodically;
- financial education programs should use multiple instruments and dissemination channels (all mass media with websites as first envisaged);
- while children and young adults are primary focus target, a special attention should be given to future retirees;
- train the trainers should be a priority in the financial education programs;
- national awareness raising campaigns on the importance of financial education should be developed.

1. Importance of the consumer financial education

1.1. *Definition of the financial education*

International literature provides various definitions to financial education and financial literacy that lead to the following main conclusions:

- financial literacy is the ability to understand financial information and to process it in order to make good decisions for improving the financial well-being and protection;
- financial education is the process through which the financial literacy is ensured.

The first principle stated by Organization for Economic Co-operation and Development in its **Recommendation on Principles and Good practices for Financial Education and Awareness** (July 2005) provides the most comprehensive definition of the financial education:

Financial education can be defined as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”.

This definition indicates that financial education should not comprise only the provision of financial information and advice, but also instruction.

Various definitions of financial education and financial literacy

“Financial education is the process by which financial consumers/ investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become aware of (financial) risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection.” (Organization for Economic Co-operation and Development website)

Financial education is the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being. (Organization for Economic Co-operation and Development 2005. Improving Financial Literacy: Analysis of Issues and Policies. OECD Publishing. Paris, France).

*Financial literacy is the ability to understand **finance** sufficiently to make appropriate decisions regarding one's **personal finances**.* (Wikipedia)

Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. (JumpStart Coalition. 2007. National Standards in K-12 Personal Finance Education)

Personal financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect everyday financial decisions, including events in the general economy. (National Endowment for Financial Education)

Financial literacy is knowing enough about managing money to make wise decisions and avoid fraud. (Rich Dad- Welcome to Rich Dad." 15 Mar. 2006 ,www.richdad.com)

Financial literacy can also be described as the ability to make informed decisions regarding the use and management of money. (Stone, Gene. "Financial Literacy." June 2004. 20 Mar. 2006, <http://www.loma.org/res-06-04-literacy.asp>)

1.2. Importance of financial education

The importance of the financial education is stressed by the above quoted definitions – it is about people’s welfare. In the current context of growing sophistication of financial markets, of a variety of complex financial instruments for borrowing and saving, with a large range of options, and with fraud means updated to the progress in financial markets, financial education becomes even more important for consumers.

OECD states the following reasons for which the importance of financial education is increasing:

- Increasing transfer of risks to households which are more directly responsible for critical financial decisions for their future wellbeing;
- Decline of public welfare policies and social corporate programmes;
- Growing range of risks affecting households at macro and micro levels;
- Increased life expectancy;
- Shift from Defined Benefit to Defined Contributions Pensions schemes;
- Enhanced individual responsibility in financial and insurance risk management;
- More households investing more income in financial assets;
- Development and sophistication of financial markets;
- More complex products;
- Increased supply of financial products;
- Overload of financial disclosure;
- Recent financial crisis in some countries.

One determinant of the current financial crisis is the inappropriate financial literacy, therefore an enhanced financial understanding and awareness of consumers should be the objective of the policy reforms, for the future well-being and stability of the financial

markets and for the economy as a whole. Numerous international surveys have demonstrated consumers' generally low level of understanding of financial matters and of basic economics.

References to the importance of financial education

Developing consumers' literacy in financial matters is becoming increasingly important, particularly as individuals take an increasing role in making decisions affecting their financial security and as capital markets become more accessible to consumers. Numerous international surveys have demonstrated a low level of understanding of financial matters on the part of consumers⁶. There is also a strong correlation between low levels of functional literacy and the ability to make appropriate financial decisions. Consumers with poor financial literacy find it hard to understand and make use of the information they receive when they purchase financial services, since information is generally prepared having average consumers in mind rather than those with lower levels of financial literacy. European Commission Green Paper on Retail Financial Services in the Single Market, 2007

Knowledgeable and confident consumers have been identified as the key to further integration of the market in financial services. Consumers will only avail of products or services if they are comfortable with the choices they make. They want to be able to buy a suitable product or service from sound and reputable providers and be convinced that if things go wrong there are mechanisms in place to address the difficulty. This is also our target. Charlie McCreevy, European Commissioner for Internal Market and Services, Closing remarks at the Public Hearings on EC Green Paper on Retail Financial Services in the Single Market, 2007

A good financial education could bring benefits for all the market participants:

- for consumers: improved financial situation, improved financial access, adequate retirement income and reduced risk of over-indebtedness;
- for SMEs: development and growth;
- for financial industry: higher demand for financial products and reduction in the information asymmetries. It also promotes market transparency, competitiveness and efficiency;
- for regulators: easing of the supervisory activity and lower levels of regulatory intervention;
- for governments: more successful pension and health care reforms, including through greater private saving rates, help reduce the risk of future public expenditure pressures, and in general contribute to economic stability and development.

⁶See for example, "Financial Capability in the UK: Establishing a Baseline", UK Financial Services Authority, March 2006; research by the Irish National Adult Literacy Agency, August 2006 (see <http://www.nala.ie/press/pressreleases/20060914161103.html>); results of research published by a working group of the Autorité des Marchés Financiers (France), June 2005 (see http://www.amf-france.org/documents/general/6080_1.pdf).

2. EU experience in financial education

December 2007 **European Commission's Communication on financial education** provided the following overview on the various financial education initiatives in EU, as resulted from two wide-ranging studies:

- Financial education is provided by a **wide variety of actors**, ranging from financial supervisory authorities to adult literacy agencies, debt advice clinics, social workers, financial industry federations, microfinance organisations, consumer representatives, education authorities, individual financial firms, housing authorities and others. **National authorities** (government ministries, financial supervisors, central banks etc.) are the **drivers of programmes** in 11 Member States.
- The **most common subject** of financial education programmes is "money basics", such as how to use a bank account. This is followed by budgeting skills, including managing credit and debt. The issues of investment, saving and retirement, insurance and risk management feature less highly, indicating that these may be areas requiring greater attention in future.
- There is an even split in the profile of the **target audiences** of the programmes between those aimed at children and young people, and those aimed at adults.

One of the studies invoked by the EC Communication is the **Survey of Financial Literacy Schemes⁷ in the EU27**, performed by EVERS & JUNG and published in 2007. The Survey provides a wholly accurate picture of the financial literacy landscape for some Member States and represents an **extensive overview for the majority of the EU countries**.

This study shows that **financial literacy is a growing priority, both for the EU institutions and the market players**.

The **key findings** indicate that

- the distribution of financial literacy schemes varies greatly throughout the EU. Most schemes were found in the **UK, Germany and Austria**. The **Netherlands and France** are advanced as well but underrepresented in this survey. The most active Member State in eastern Europe is **Poland**. Bulgaria, Latvia, Luxembourg, Slovenia and Romania seem to be solely covered by transnational EU programmes;
- the current main target groups are **children and young adults**;
- way of providing financial education services - two out of three schemes provide their service through **intermediaries**;
- instruments and channels - every second uses **multiple instruments and channels** – the **internet** being a particularly important one;

⁷ Principles defining financial literacy schemes used by EVERS & JUNG are presented in Annex 1

- operators - very sixth scheme **is operated by private financial service providers** which target customers as well as non-customers and their content predominantly remains impartial.

Annex 2 presents several EU countries experience in financial education.

3. International good practice in financial education

OECD's **Recommendation on Principles and Good practices for Financial Education and Awareness**, based in large part on the findings of the study produced by the OECD's Financial Education Project, states 7 principles for organizing the financial education programs.

In short (the entire text of the Principles are provided in Annex 3), these principles state the following main ideas:

- Governments should promote unbiased, fair, efficient and coordinated financial education;
- Financial education should complement financial regulation that is intended to protect consumers;
- Financial education programmes should focus on main priority issues as determined by the national circumstances;
- Financial education programs should be tailored to the targeted audience needs and to its level of financial literacy;
- Financial education should be an integral part of the good governance of financial institutions to encourage accountability and responsibility;
- Financial education should be clearly distinguished from commercial advertising and codes of conduct for the staff of financial institutions should be developed;
- Financial institutions should encourage clients to read and understand information, especially when related to long-term commitments or financial services with potentially significant financial consequences;
- Financial education programmes should focus particularly on important life planning aspects, such as basic savings, debt, insurance or pensions;
- Financial education should start in school. Future retirees should be made aware of the need to assess the financial adequacy of their current public and private pensions schemes;
- National campaigns, specific websites, free information services and warning systems on high-risk issues for financial consumers (such as fraud) should be promoted.

Based on the contracted studies comprising a diversity of approaches and methods on financial education in EU, **European Commission's Communication on financial education** defined some basic principles for launching and running financial education programmes that could be summarized as follows:

- Financial education should be available and promoted continuously and at all life states;

- Financial education programmes should be tailored to the needs as assessed ex-ante;
- Financial education should start in school, as a compulsory part of curriculum;
- Awareness should be raised on the need for financial education;
- Financial services providers should supply financial education in a fair, transparent and unbiased manner;
- Train the trainers should be a priority;
- National coordination is necessary between stakeholders in financial education. International cooperation promotes the exchange of information on best practices;
- Financial education schemes should be regularly evaluated and updated.

The complete text of the Principles is provided in Annex 4.

The good practices promoted by OECD document refer to public and private responsibilities in financial education, the content of the financial education programs, a special attention being given to the retirees as target group for financial education programs (the complete text is provided in Annex 5).

Good practice in financial education for public authorities

As financial education is seen as a part of state welfare assistance programmes, authorities could promote national awareness raising campaigns on financial education. Authorities could have specialised structures to promote and coordinate financial education. Public authorities should exchange information at international level on their experience with financial education. Authorities should promote information websites and warning systems built offered by various consumer, professional and other organizations.

Good practice for financial institutions in financial education

Financial institutions should provide financial information or reference to information providers to their customers. They should train their staff in financial education issues and should develop codes of conduct. Financial education provided by financial institutions should always adapted to the customers' needs. Financial institutions should proof high responsibility on financial education for long-term issues.

Regarding the ***financial education programs***, OECD recommends to have efficiency assessment methodologies and programs complying with the assessment criteria to be officially recognized. Financial programs should have sub-programs for different subtypes of beneficiaries, should use all available media for information dissemination. School financial education programs should provide first education to teachers.

Principles defining financial literacy schemes used by EVERS & JUNG

1. Name/short info refers to personal finance

The only function of this criterion is to make a quick identification possible, because it would not have otherwise been possible to assess every potential initiative in the early stage of the field research.

2. Visible concept and didactical structure with a self-help approach

The criterion is helpful in separating financial literacy schemes from “information-only” activities. In the strict sense, this means schemes should feature a methodological/didactical concept. Their content is structured in a user-oriented, process-driven way and they give concrete instructions for action.

3. Focus on general information

As a less important selection criterion we used the scope of the content. Financial literacy schemes in this strict definition concentrate on all the basic and general aspects of the private finances and do not set an individual focus.

4. Concentration on basic know-how

As one can distinguish several different mixes of financial literacy content, what should be considered as the indispensable core content had to be defined. In the framework of the study, a financial literacy scheme teaches:

- numeracy, literacy and information skills in the context of financial literacy,
- how to assess, interpret, question and evaluate finances,
- how to understand the nature and use of money,
- the consequences of financial decisions, plus the rights and responsibilities of customers and
- how to weigh up risks and benefits.

5. Marketing activities

In order to identify initiatives with effective impact and outreach, it may be crucial to assess if an initiative is actively marketed and its information widely circulated.

6. Target group consumers and small businesses

This criterion is a consequence of the working definition of financial literacy.

7. Continuity

One of the decisive factors for the definition of the term “scheme” that is used in the study is continuity. A project lasting just a short period and especially a one-off activity should not be considered as a scheme in the strict sense.

8. Result orientation

Similar to the didactics criterion, we expected that the core schemes would always teach people about financial products with a view to enabling them to make informed financial decisions. They would not simply employ a type of encyclopaedical or “nice-to-know” approach.

Financial education in selected EU countries

- excerpt from Survey of Financial Literacy Schemes in the EU27 -

Austria

In Austria there were identified 18 different schemes. 15 of them fit our working definition of core schemes. Hence, financial literacy seems to be actively promoted here. 11 of these 16 Austrian schemes target children or young adults. Apart from the activities of the National Austrian Insurance Association (VVO), **all schemes are provided by non-profit associations or consumer protection agencies.** Schuldnerhilfe Oberösterreich (Debt Help Upper Austria) is the main player, providing seven schemes on its own. Among those is the “Financial Driver’s Licence” which also shows up as an element in other schemes. The Vorarlberg Region registered their scheme which makes

uses of the Financial Driver's Licence. Hence this concept is occurring twice in the survey.

Czech Republic

Even additional research done by the MFC and its local partner organisations could not reveal more than one financial literacy scheme in the Czech Republic. This was "Get to know your money", provided by the Junior Achievement Group with support of Citi. This finding, together with the statement from the Czech Ministry of Industry and Trade saying that they do not carry out any activities related to this topic, leads us to assume that financial literacy has not yet been addressed by many institutions in the Czech Republic. However, the situation seems to be changing. The National Ministry of Finance will be launching its "National Financial Education Strategy" in Autumn 2007 and it is designing a financial education programme for students which will be starting in 2009.

Estonia

The **Consumer Protection Board of Estonia** confirmed that they would like to treat the issue of financial literacy more extensively. Currently their activities encompass the publication of financial information which is for instance available from its website under the sections "Useful for consumers" and "Protecting consumers' economic interests". Furthermore, the organisation has participated in the development of the consumer education project DOLCETA, which was initiated by DG SANCO. Apart from the Estonian scheme "Financial literacy for small business entrepreneurs" which is listed in our survey, we have identified the web-based scheme "My Money" provided by the National Financial Supervision Authority. Also the Tallinn University of Technology provides a scheme which targets school children and focuses mainly on issues related to budget management. Unfortunately both providers have not responded to our requests to fill out the questionnaire.

France

Five providers of financial literacy initiatives in France completed the questionnaire, one being a non-core scheme ("Ecole de la Bourse"). Considering the number of financial literacy schemes that had been identified as a result of our desk research, this figure does not provide a true reflection of the large amount of financial literacy schemes in France.

For instance we have identified the following schemes and online-resources which do not show up in the survey:

- "Le budget des ménages - le crédit aux particuliers" (Fondation Cetelem),
- "Pièges à consommer" (Service Juridique de l'Union Féminine Civique et Sociale),
- "Relevé de Prix" (Association d'Éducation et d'Information du Consommateur de la FEN and other organisations),

Survey of Financial Literacy Schemes in the EU27 Page 16

- "16-25 ans - Comment gérer son budget sans déraper" (Union Nationale des Associations Familiales)
- "Conso.net " (l'Institut National de la Consommation),
- "Ctaconso.fr " (l'Institut National de la Consommation),
- "Ma retraite en ligne M@rel " (provided by the French government),

- “LeMoneyMag ” (BNP Paribas)

The support from ESBG was a great help in contacting Finances & Pédagogie and La Finance pour Tous. Two other schemes applied to take part in the survey of their own initiative. However, our attempts to motivate more French providers to participate in our survey did not produce the results we expected, even though we also offered to carry out the survey with them in French on the phone and fill out the questionnaire together.

Germany

Germany plays an active role in the field of financial literacy and is apparently the second-most active Member State after the UK. Of course, a Germany-based research team is in a better position to identify schemes within its own country but having said this, the findings for the EU as a whole still indicate that Germany belongs to the Member States which are furthest in the battle against financial illiteracy. This was already suspected by the experts who we interviewed while preparing our response for the call for tender.

We list 40 schemes in Germany, 34 of them fitting our working definition. They are mostly provided in classrooms or universities, target children or young adults and cover several content areas at a time. Only nine schemes provide their content solely through other organisations. All others have direct contact to the participants or have both direct contact and use intermediaries.

It is noticeable that a broad spectrum of organisations occurs in our survey: It ranges from social or debt counselling institutions through associations, banks and other financial service providers to the big 2007 initiative “Old-age provision goes to school”, the main players of which are several federal ministries, the Public Pension Insurance Association and the German Adult Education Centres Association.

Hungary

From our research, four financial literacy projects in Hungary could be identified. This number, as well as the following statement of the Hungarian Banking Federation, highlight the growing importance of financial literacy issues in this country:

“Financial literacy and the improvement of the general financial culture is a widely accepted and acknowledged target and task in Hungary. Several research projects show that financial literacy is at a lower level than could be expected [...]. This year may be considered as a milestone in this respect, since several investigations and studies analysed the methods, ways and means of how retail banking services can be improved. This matter was analysed in eight expert groups co-ordinated by the Hungarian Banking Association. One of the major topics was financial literacy.”

Ireland

In Ireland one scheme provider fully completed the survey. Unfortunately, prominent organisations such as the NALA (National Adult Literacy Agency) and the MABS (Money Advice and Budgeting Service) did not respond despite several attempts to contact them. Therefore, we are not able to cover, for example, the NALA’s “Plain English guide to financial terms” or the training guide for adult education tutors on how to operate a cash machine.

Italy

Unlike in other countries, in Italy all the nine schemes we identified target adults. Only one also addresses young adults and we found no schemes explicitly designed for children. We classify five Italian schemes as core schemes.

Every scheme we identified was originally set up as a website and nearly all are web only offers. However, for many schemes, participation in the online course still required the individuals to attend the provider's own offices.

Lithuania

In Lithuania we were able to locate five schemes, one of which managed to reach 400 participants in 2006. Despite the statement from the Lithuanian Economic Education Development Centre (EEDC) saying that financial education programmes are not very common, we gained the impression from our research that financial literacy is an upcoming issue in this Member State.

Netherlands

Four Dutch providers of core financial literacy schemes registered in our survey. Considering the large number of programmes that could be identified through our desk research so far and bearing in mind that financial education has been a big issue in the Netherlands for years, this number seems low.

For instance, we are aware that the Nationaal Instituut voor Budgetvoorlichting (NIBUD) is very active in the field of financial literacy. Its website provides general information to consumers, professionals and journalists. Besides interactive tools, the site also includes an online-shop. On average, the website has 3,000-4,000 visitors per day.

NIBUD's specialised website "Youth and Money" targets the most important financial issues of high-school students (12-18 years). The number of daily visitors amounts to 2,000-3,000.

Apart from this, NIBUD also offers basic materials for consumers plus money guides (e.g. "GeldWijzer") and other books, teaching materials and suggestions on methods as well as materials for other professionals.

In order to provide a truer reflection of financial literacy in the Netherlands in our survey, scheme providers were contacted through our network partners and directly by ourselves via phone. Nevertheless, it seems the overall result is still not representative of the actual scale of activities in the Netherlands.

Poland

Poland is the most active eastern European country in matters of financial literacy. We list eight core schemes here. Most of them are designed for children and young adults and set up in classrooms or universities. Apart from the scheme run by PKO Bank Polski, all Polish programmes are operated by non-profit associations or national public authorities.

Portugal

We found two core schemes in Portugal, both designed for children. "From Mathematics to Financial Literacy" is a good example of a successful scheme run by financial service providers. "Financial education for youth: learning the basics" is designed especially for children aged 11-13 years old and set up as a game. A third

scheme is listed in the non-core section.

Slovakia

There are two core and one non-core schemes we located in Slovakia. One targets children through schools, the other core scheme addresses young adults directly. Both are good examples for the growing importance of financial literacy issues in the New Member States.

Sweden

Four of the five Swedish core schemes in our survey are run by Swedbank's Institute of Private Finance. This organisation systematically targets many groups, including immigrants and the elderly, using specialised programmes.

United Kingdom

The UK is by far the most advanced Member State in terms of financial literacy activities. Approximately more than 500 schemes are in operation there according to statements from experts we contacted. However, most of these initiatives work on a local basis, serve as hubs for national schemes or have a small number of participants. The majority of the UK schemes operate within regional or national frameworks and receive funding accordingly. This provide us with an effective area for future research.

We were able to cover the largest part of the UK by cooperating with the Financial Services Authority (FSA) which funds hundreds of schemes through the seven categories of its financial capability programme. Another big help to us was the cooperation with the National Institute of Adult Continuing Education (NIACE). This organisation has a good overview of the UK situation and was able to contact all schemes. Their contributions were indispensable for our study.

The UK is the Member State with the highest amount of schemes in our survey and we believe that the 50 core schemes listed in the overview provide a picture of the financial literacy landscape's current nature in this country.

OECD Principles for financial education program

1. Financial education can be defined as “the process by which financial consumers /investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”. Financial education thus goes beyond the provision of financial information and advice, which should be regulated, as is already often the case, in particular for the protection of financial clients (i.e. consumers in contractual relationships).

2. This financial capacity building, based on proper financial information and instruction, should be promoted. Financial education should be provided in a fair and unbiased manner. Programmes should be co-ordinated and developed with efficiency.

3. Financial education programmes should focus on high priority issues, which, depending on national circumstances, may include important aspects of financial life planning such as basic savings, private debt management or insurance as well as pre-requisites for financial awareness such as elementary financial mathematics and economics. The awareness of future retirees about the need to assess the financial adequacy of their current public or private pensions schemes and to take appropriate action when needed should be encouraged.

4. Financial education should be taken into account in the regulatory and administrative framework and considered as a tool to promote economic growth, confidence and stability, together with regulation of financial institutions and consumer protection (including the regulation of financial information and advice). The promotion of financial education should not be substituted for financial regulation, which is essential to protect consumers (for instance against fraud) and which financial education is expected to complement.

5. Appropriate measures should be taken when financial capacity is essential but deficiencies are observed. Other policy tools to consider are consumer protection and financial institution regulation. Without limiting the freedom to contract, default mechanisms, which take into consideration inadequate financial education or passive/inert behaviour, should be considered.

6. The role of financial institutions in financial education should be promoted and become part of their good governance with respect to their financial clients. Financial institutions' accountability and responsibility should be encouraged not only in providing information and advice on financial issues, but also in promoting financial awareness clients, especially for long-term commitments and commitments which represent a substantial proportion of current and future income.

7. Financial education programmes should be designed to meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information. Financial education should be regarded as a life-time, on-going and continuous process, in particular in order to take account of the increased complexity of markets, varying needs at different life stages, and increasingly complex information.

Basic principles for the provision of high-quality financial education schemes

(EC Communication on Financial Education, December 2007)

Principle 1: Financial education should be available and actively promoted at all stages of life on a continuous basis.

Financial education should be available to address the financial challenges associated with real events in citizens' lives, ranging from those experienced by young people to those relevant to retirees. Programmes should be adaptable to citizens' financial situation and level of understanding of financial issues.

Principle 2: Financial education programmes should be carefully targeted to meet the specific needs of citizens. In order to achieve this aim, ex-ante research should be conducted on the current level of financial awareness on the part of citizens, to identify those issues that particularly need to be addressed. Programmes should be timely and easily accessible.

Financial education should meet a specific need: for those starting work for the first time, the unemployed, those planning for a family, young adults, the indebted etc. It is important to ensure that the programme is delivered in a comprehensible manner and in a format that can facilitate consultation or access by the user when he/ she needs it.

Employers should give consideration to how financial education could be delivered through the workplace, possibly in conjunction with information on occupational pension schemes.

Principle 3: Consumers should be educated in economic and financial matters as early as possible, beginning at school. National authorities should give consideration to making financial education a compulsory part of the school education curriculum.

It is essential that basic economic and financial knowledge is acquired by young people at primary and secondary school. The Commission has already issued a Recommendation on key competencies for lifelong learning (2006/962/EC), which supports the development of skills such as the ability to apply mathematical thinking into everyday situations, broad understanding of the workings of the economy and the ability to plan and manage one's life. In this context, consideration should be given by national and regional education authorities to how economic and financial education might be included in school curricula.

Principle 4: Financial education schemes should include general tools to raise awareness of the need to improve understanding of financial issues and risks.

Consumers are not always aware of their lack of understanding of financial issues and financial risks, which is the first step in being open to education on these points. Tools such as self-assessment questionnaires and advertising campaigns on financial knowledge can help in this awareness-raising. Audiences could then be directed to specific financial education materials.

Principle 5: Financial education delivered by financial services providers should be supplied in a fair, transparent and unbiased manner. Care should be taken to ensure that it is always in the best interests of the consumer.

The financial services industry should, after consultation of consumer or investor representatives, be encouraged to take initiatives to contribute to the development of financial education and to make its expertise available. However, when providing financial education to the public, industry should ensure that a clear distinction is

made between general financial education, information with regard to individual products, and advice to a specific customer on a given product or service. Particular care should be taken with regard to the branding of financial education materials, to address any concerns that these lines are being blurred.

Principle 6: Financial education trainers should be given the resources and appropriate training so as to be able to deliver financial education programmes successfully and confidently.

A key issue in developing a successful financial education is empowering those who deliver the training: "teaching the teachers". This does not only mean school teachers, but also social workers, bank employees, volunteers and other client-facing individuals who need to deliver training in a way that most benefits their audience. This will necessitate the development of usable teaching materials and training programmes.

Principle 7: National co-ordination between stakeholders should be promoted in order to achieve a clear definition of roles, facilitate sharing of experiences and rationalise and prioritise resources. International co-operation between providers should be enhanced to facilitate an exchange of best practices.

National authorities, financial services providers, consumer groups, educators and other stakeholders should be encouraged to co-operate in the delivery of financial education. This could help to streamline objectives, result in greater coverage of differing target groups, rationalise and prioritise resources and promote greater learning from experience. Similarly, at an international level, co-operation and networking between practitioners could highlight those areas where greater attention should be focused and facilitate an exchange of best practices.

Principle 8: Financial education providers should regularly evaluate and, where necessary, update the schemes they administer to bring them into line with best practices in the field.

Providers of financial education should incorporate into their programmes an element of regular evaluation of the progress being made and whether targets are being reached. If this is not the case, they should consider amendments of the programme to bring it in line with standards achieved by acknowledged best practitioners.

The Commission invites national administrations, financial services providers, consumer organisations and other stakeholders to develop national strategies on financial education with appropriate financial education programmes with regard to the above principles for financial education.

Good Practices for financial education

(Recommendation on Principles and Good practices for Financial Education and Awareness, OECD, July 2005)

A. Public action for financial education

1. National campaigns should be encouraged to raise awareness of the population about the need to improve their understanding of financial risks and ways to protect against financial risks through adequate savings, insurance and financial education

2. Financial education should start at school. People should be educated about financial matters as early as possible in their lives.
3. Consideration should be given to making financial education a part of state welfare assistance programmes.
4. Appropriate specialised structures (possibly embedded within existing authorities) in charge of promoting and coordinating financial education should be encouraged at the national level and regional and local public and private initiatives as close to the population as possible should also be promoted.
5. Specific websites should be promoted to provide relevant, user-friendly financial information to the public. Free information services should be developed. Warning systems by consumer, professional or other organisation on high-risk issues that may be detrimental to the interests of the financial consumers (including cases of fraud) should be promoted.
6. International co-operation on financial education should be promoted, including the use of the OECD as an international forum to exchange information on recent national experiences in financial education.

B. Role of financial institutions in financial education

7. Requirements to specify the types of information (including where to find information and the provision of general comparative and objective information on the risks and returns of different kinds of products) that financial institutions need to provide to clients on financial products and services, should be encouraged.
8. Financial institutions should be encouraged to clearly distinguish between financial education and financial information and “commercial” financial advice. Any financial advice for business purposes should be transparent and disclose clearly any commercial nature where it is also being promoted as a financial education initiative. For those financial services that entail long-term commitment or have potentially significant financial consequences, financial institutions should be encouraged to check that the information provided to their clients is read and understood.
9. Financial institutions should be encouraged to provide information at several different levels in order to best meet the needs of consumers. Small print, abstruse documentation should be discouraged.
10. Financial education provided by financial institutions should be regularly assessed to ensure it meets consumer needs. This may be achieved through partnerships with independent, not for profit financial advisory bodies that may have better connection with consumers, particularly those facing disadvantage in their participation in financial markets.
11. Financial institutions should be encouraged to train their staff on financial education and develop codes of conduct for the provision of general advice about investment and borrowing, not linked to the supply of a specific product.

C. Financial education for retirement savings

12. For individuals in private personal pension plans, the provision by financial institutions of the appropriate financial information and education required for the management of their future retirement savings and income should be promoted.

13. Concerning occupational schemes, (for which the related information and education should be provided in a consistent way across the schemes) financial education and awareness of employees and related policy tools should be further promoted, both for defined contributions and defined benefits schemes.

D. Financial education programmes

14. Financial education programmes that help financial consumers find the facts and understand the pros and cons as well as the risks of different types of financial products and services should be promoted. Further research on behavioural economics should be promoted.

15. The development of methodologies to assess existing financial education programmes should be promoted. Official recognition of financial education programmes which fulfil relevant criteria should be considered.

16. Financial education programmes that develop guidelines on study content and accomplishment level for each financial education programme and for each population subgroup should be promoted.

17. In order to achieve a wider coverage and exposure, the use of all available media for the dissemination of education messages should be promoted.

18. In order to take into account the diverse backgrounds of investors/consumers, financial education that creates different programmes for specific sub-groups of investors/consumers (i.e. young people, the less educated, disadvantaged groups) should be promoted. Financial education should be related to the individual circumstance, through financial education seminars and personalised financial counselling programmes.

19. For those programmes which favour use of classrooms, proper education and competence of the educators should be promoted. In this respect, the development of programmes to “train the trainers” and the provision of specific information material and tools for these trainers should be encouraged.

Annex 4

Cost Benefit Qualitative Analysis (Impact of improving Consumer Financial Education)

Regulated firms

	Impact	Comments
Costs	Higher	
One-off	=	No one-off investment has to be done
Operational	=	
Infrastructure	=	
On going		
Human resources	=	Banks and other financial institutions will need to involve some of their staff in consumer financial education program/actions. At the same time, time spent with selling or recovery activities might decrease following a higher level of financial literacy. The 2 impacts might offset.
Other expenses	+	Financial institutions will spend money with leaflets or with posting information on websites or with publishing articles.
Benefits	Higher	
Additional products / additional business	+	By getting more knowledge on financial products and services, consumers might have a higher demand for these.
Cost saving / + revenues	+	A higher demand of financial products and services will bring more revenues for offering institutions. At the same time, the default cases in lending could decrease due to a better planning and understanding of the indebtedness implications.
Equity relief	=	No effect
Total impact	Higher benefits than additional costs	The benefits brought by a better financial education is exceeding the additional costs

Consumers

	Impact	Comments
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Costs	Lower	
Higher risks	-	A better understanding of the financial products would help consumers make more informed decisions and thus being more protected against risks.
Higher prices	-	By building up a better knowledge on financial products and services, consumers would be more able to understand and compare different offers and make a better choice in respect of prices too.
Lower quality of service	-	Better consumers' knowledge would determine financial institutions to come with more competitive offers, in respect of quality service too.
Benefits	Higher	
Better choice	+	Higher level of financial literacy will allow more informed choices.
Price reduction	+	The effect of financial education to competition amongst financial institutions would be also a reduction in the prices.
Improved access	+	It is likely that a better information and understanding of financial products will improve consumers' access to them.
Total impact	Lower costs and higher benefits	

Authorities

	Impact	Comments
Costs	Higher	
One-off		
On going	+	
Direct Indirect	+	The staff and cost of different programs/actions for consumer financial education
Benefits	Higher	
Statutory goals	+	Financial stability, economic growth and public welfare are served by improving consumer financial education.
Increase income to state budget	+	Higher revenues of the financial institutions could determine an increase of the taxes collected by the state budget.
Others		
Total impact	Higher benefits than	

	additional costs	
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Summary of CBA of the improvement in Consumer Financial Education

Stakeholders	Costs	Benefits	Total
Regulated firms	Higher	Higher	Higher benefits than additional costs
Consumers	Lower	Higher	Lower costs and higher benefits
Authorities	Higher	Higher	Higher benefits than additional costs
Overall economy			Net benefits

Legend: + increase
 - decrease
 = no effect

Annex 5

Note on Alternative Funding Sources

As a follow up to the observations made from the PWG members on the substantial lack of resources available to institutions dealing with Consumer Financial Education, SPI Albania Secretariat took the initiative to seek information on alternative funding sources available in Albania.

The findings of the research were summarized in a document detailing the possibilities of institutions to apply for two separate programs such as TAIEX (Technical Assistance and Information Exchange) and/or IPA (Instrument for Pre-Accession Assistance).

TAIEX, or the Technical Assistance and Information Exchange, is an instrument of the Directorate-General Enlargement of the European Commission. TAIEX helps countries with regard to the approximation, application and enforcement of EU legislation. It is largely demand driven and channels requests for assistance and contributes to the delivery of appropriate tailor-made expertise to address problems at short notice.

TAIEX assistance can be channeled through:

- Expertise Assistance - to advise on legislative acts and interpretation of the acquis, or to provide guidance on administrative arrangements for its implementation and enforcement;
- Study Visit - providing opportunities for officials of beneficiary countries to understand how Member States deal with practical issues related to the implementation and enforcement of the acquis and issues related to the interaction with stakeholders;
- Request for Workshop – in order to present and explain issues related to the acquis to a wider audience. Such assistance can be focused on the needs of an individual country or of a group of countries facing similar challenges. The multi-country format also provides a valuable opportunity to network and to exchange experience between beneficiary countries.

All institutions involved in CFE could apply for TAIEX in order to get assistance for the following:

- Legislative acts – adopting EU requirements for Consumer Financial Education in the Albanian current legislation for Consumer Protection or introducing new regulations and proposals in order to improve the accountability for Consumer Financial Education
- Capacity Building - Institutions involved in CFE could use TAIEX assistance (study visits, expert missions, and workshops) in order to train and instruct their staff responsible for Consumer Financial Education.
- Problem Solving – Project Management. TAIEX being a demand driven assistance could help the institutions in other project-based initiatives the scope of

which falls under the EU requirements for Consumer Financial Education and Consumer Protection in general.

Whereas IPA provides for a more substantial and long-term support that is potentially the most powerful type of assistance for Albanian institutions that aim at objectives highlighted by the Association and Stabilization Agreement.

IPA 2009, is now IPA Adriatic Cross-Border Cooperation Program which gives priority to the objectives of the EU pre-accession and cohesion policies. The program is based on cooperation between four candidate or potential candidate countries and three member states, and thus potentially meets the IPA's objectives by allowing participating countries to take actions together to develop their territories, under community rules and regulations, by developing as well the institutional capacity of aspiring EU members.

PWG members appreciated the note and, since some of them (BoA and AMF) have already experiences with IPA funds, they made some remarks with regards to the application:

- it would be best and increase the possibilities of funding if the applying entity would be a public institution also because they would have to work very closely with the Ministry of Integration.
- the lobbying process to the Ministry of Integration is more important than the actual content of the project proposal because the IPA priorities are set locally and regionally and they are independent from the quality of the project proposal. These priorities depend largely on the applicability of the ASA (Association and Stabilization Agreement) and on the governments' agendas.

The applying institution should be the main stakeholder for CFE and so far only METE fulfills these requirements. Since METE has had previous experiences with CARDS, (now incorporated within the IPA Adriatic) the chances for as successful application on their behalf are significantly positive.

The note was very welcomed by the PWG members who confirmed at the best of their knowledge that these two funding sources are currently the most reliable and applicable programs available in Albania and approved the Note on Alternative funding sources.

Annex 6

Scoping the problem

6.1 Problem identification

1. Background Information

Financial education is a very important decision tool for consumers living in an increasingly sophisticated and globalized financial market, enabling them to budget and manage their income, save, borrow and invest efficiently, understand and protect themselves against specific risks and as well as avoid becoming victims of fraud. Financial education promotes also competition among financial intermediaries and ensures the smooth functioning of financial markets and the economy. Consumer education is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation activities and a marketing tool for financial institutions to build robust client relationships. Bank of Albania has shown over the past years a very strong commitment for improving the financial literacy. Bank of Albania issued several guides, leaflets and other papers on the central bank, on the banking system, but also on personal finance issues:

- **on the banking system:** **The Building of the Bank of Albania; Bank of Albania - Our central bank;** ABCs of interest rates; Waiting for the Credit Registry; What is price stability for you?; Speaking simply about inflation; Payments system; **Bank of Albania's monetary policy instruments and procedures for their execution**, etc;
- **on personal financial education:** Students' financial guidebook⁸; A guide to your first bank account⁹; The new era of internet banking; Electronic money: The future of money?; Debt and loan = a matter of interest; Why should you have a personal budget?
- **on other issues:** Central banks of the region; European Central Bank Preparations for the euro. Guideline on euro banknotes and coins, etc.

1.1.2 Market Analysis

General market: Financial market

Specific segment: Retail market

⁸ This brochure is designed for the target group of high school students who are thinking of following a university or college. In order to give students all the useful information that will enable them to make "smart" financial decisions when they start their university or college experience, this brochure is written in a language understandable by the public at large. Inside it contains all the general information on some of the most used financial notions and instruments, as well as some basic money management advises.

⁹ It describes in a simple language the advantages of having a bank account. It outlines the types of bank accounts available in the Albanian commercial banks and how to open one. The brochure also provides the answers to some basic questions frequently asked by the public while opening and managing a bank account.

<i>Sub segment: Individuals</i>
<p>1.1.3 Legal framework</p> <p>Law No.9902, date 17.4.2008 on Consumer Protection Based on articles 78, 83, paragraph 1 of Constitution, with the proposal of the Council of Ministers. Article 4, paragraph (d) “Consumers have the right to education”</p>
<p><i>1.1.4 Stakeholders - Institutional framework</i></p> <p>Public authorities: on financial market (Bank of Albania, Financial Supervision Authority, Ministry of Finance), and on consumer issues (Ministry of Economy) Private financial institutions and their professional organizations (Albanian Association of Banks, Albanian Association of Insurers, etc) Consumer associations: Albanian Consumers Association; Office for Consumer Protection; Consumer and Environment Protection Center. Other organizations: Women’s associations whose programs include household management.</p>
<p>6.2. Market/regulatory failure analysis (nature and evidence)</p>
<p>The regulatory framework has some provisions on the banks’ transparency in their relationship with customers. The general consumer protection regulation provides also the compulsoriness of offering complete correct and accurate information on products. According to the international experience and best practices, there should be a Strategic Plan on national consumer financial education to set up the priority of the financial education. BoA undertook several initiatives in the banking field, but these were not complemented by private initiatives.</p>
<p>6.3. Policy Goal(s) threatened by the failure [e.g. financial stability, market integrity, market confidence, consumer protection, facilitating innovation, enhancing competition]</p>
<p>General Objectives:</p> <ul style="list-style-type: none"> - To ensure the banking system stability. <p>Specific objectives:</p> <ul style="list-style-type: none"> - To prepare a Strategic Plan on national consumer financial education for financial consumer education - To prepare a medium–term, structured and nation-wide financial education program to be endorsed by all stakeholders <p>Operational:</p> <ul style="list-style-type: none"> - To set up specific actions to be undertaken by all stakeholders

<p>6.4. “Do nothing” option</p>
<p>1.4.1 Possible medium-term (max 2 years) self – corrective market actions (e.g. mechanisms through which the “Do Nothing” option would address the market/regulatory failure).</p> <p>BoA will continue its financial education initiatives and maybe some other stakeholders will be involved or they will undertake their own initiatives. In order to ensure a continuous financial education, targeting the appropriate audience and an efficient use of resources, a national financial program with specific responsibilities for all stakeholders and under authorities’ coordination is necessary. This would bring recognition for various initiatives, would facilitate international financing and international cooperation for the various actors.</p>
<p>1.4.2. Impact of the “Do Nothing” option to the various stakeholders (to be filled only if the “Do Nothing” option could be taken into further consideration)</p> <p>Impact on consumers:</p> <ul style="list-style-type: none"> - More exposure to risks, financial instability due to lack of informed decisions, financial exclusion <p>Impact on regulated firms/ banks:</p> <ul style="list-style-type: none"> - More costs for informing the customers, vulnerability to rumors and panic, higher credit risks, lower volume of business <p>Impact on authorities:</p> <ul style="list-style-type: none"> - financial instability - economic and social problems - lower growth

<p>6.5. Alternative policy option(s)</p>
<p>6.5.1. Broad description of the regulatory or self-regulatory action(s) needed to remedy the market or regulatory failure and hence achieve the policy goal(s)</p> <p>EU recommends that a Strategic Plan on national consumer financial education on financial education is set up. EU and OECD recommendations state also that authorities should be promoters of the financial education programs and should coordinate various private and public initiatives.</p>
<p>6.5.2. Possible operational regulatory or self-regulatory actions to achieve the policy goal</p> <ul style="list-style-type: none"> - to set up a Strategic Plan on national consumer financial education on financial education - to set up a financial education program

<ul style="list-style-type: none"> - to promote individual financial education initiatives - to promote a awareness campaign on the importance of financial education - to have a structured approach, covering all the above
<p>6.5.3. Description of Option 1:</p> <p>A Strategic Plan on national consumer financial education is necessary in order to state Government's views on financial education, the priorities and direction, as well as the involved parties. All further initiatives should subscribe to this strategy.</p>
<p>6.5.4. Description of Option 2</p> <p>A financial education program is meant to establish a nation-wide action plan and specific responsibilities of different stakeholders, targeted audience, content, instruments and means. It should be placed under the coordination of an authority.</p>
<p>6.5.5. Description of Option 3</p> <p>Individual initiatives are important to really accomplish financial education objective and should be developed as specific projects by the stakeholders. Stakeholders could state their plans for financial education in the next period.</p>
<p>6.5.5. Description of Option 4</p> <p>An awareness raising campaign on financial education should be developed on a national scale, convincing stakeholders on the benefits. It should use all media channels and bringing even examples from the real life.</p>
<p>6.5.6. Description of Option 5</p> <p>Undertaking only one of the above mentioned options would not be likely to meet all requirements for a continuous, coordinated, structured approach – a real financial education system.</p>

Summary Problem Scoping			
Consumer Financial Education			
Market failure			
Asymmetric information	Market power	Positive externalities	Negative externalities
X			
(Existing) Regulatory failure			
Regulation wrongly prescribed for the market	Regulations succeeded in addressing the failure; a different market failure (e.g. side effect)	Regulation made it worse	Regulation so far has failed to work; maybe in due course
	X		

Annex 7

SPI Albania Methodology

The EU Better Regulation Approach	
Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Definition of policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. Development of “do nothing option”	To identify and state the status quo.
4. Alternative policy options	To identify and state alternative policies (among them the “market solution”).
Analysis of impact	
5. Costs to users	To identify and state the costs borne by consumers
6. Benefits to users	To identify and state the benefits yielded by consumers
7. Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms
8. Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms
9. Data Questionnaire	To collect market structure data to perform a quantitative cost and benefit analysis
Consultations	
10. Policy Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report to decision-makers, based on Cost Benefit Analysis and market feedback