



## TERMS OF REFERENCE

### Project: Improving Consumer Financial Education

**Project Owner: Ms. Anila Jani, Market Surveillance Director,  
(MoE)**

**Project Manager: TBD Market Surveillance Department,  
(MoE)**

**Deputy Project Managers: BoA/AAB, and AMF representatives**

**Technical Anchor (TAN): [Sue Rutledge, World Bank]**

**Project Working Group: Banks, MoF, representatives of other  
financial associations and of  
relevant consumer protection  
associations**

### **I - Background - Identification of the problem**

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 guidebook<sup>1</sup>; A guide to your first bank account<sup>2</sup>; The new era of internet banking; Electronic money; The

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<sup>1</sup> 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 able them to make "smart" financial decisions when they start their university or college experience, this brochure is written in a language understandable by the

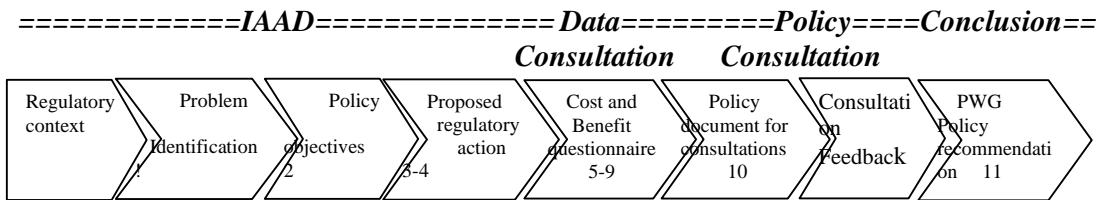
future of money?; Debt and loan = a matter of interest; Why should you have a personal budget?

- **on other issues:** Central banks of the region; European Central Bank Preparations for the euro. Guideline on euro banknotes and coins, etc.

**II - Project Objective – Definition of policy goals**

To prepare a medium–term action plan for a structured and nation-wide financial literacy campaign to be endorsed by all stakeholders – with specific actions to be launched within three months after the endorsement of action plan by SPI Committee.

**III – Intended Strategy – Description of the Better Regulation 9 steps**



To inform the deliberations of the project working group on the possible options for improving financial literacy, SPI Secretariat and the TA will prepare a compilation of the international best practices for financial education.

PM and SPI Secretariat will make an inventory of the already taken actions and on Bank of Albania plans.

PWG will perform a comparative analysis of the international best practices and of Bank of Albania past and future actions, looking to identify the missing pieces. PWG will then identify the necessary actions to fill in the gaps, the leading parts and the other stakeholders for each of the action. PWG will assess whether regulatory initiatives will be necessary in order to facilitate the implementation of the identified actions.

Based on the PWG members’ contributions, SPI Secretariat will prepare a note on the benefits of this financial education campaign. Based on Bank of Albania past experience,

PWG will also assess a total budget for the action plan and a budget for each action, identifying also the possible donors (including international donors).

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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.

<sup>2</sup> 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.

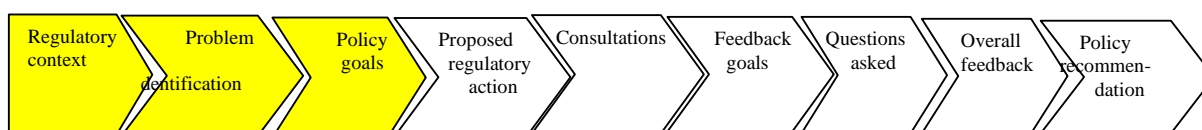
PWG will identify also the necessary institutional framework for implementing the action plan and for coordinating its implementation, including responsibilities and reporting lines. A Steering Committee leading the partnership for consumer financial education might be deemed necessary to ensure a high-level oversight on the implementation.

The policy document will be sent to stakeholders for consultations; consultation feedback will be included in the final document on PWG Policy Recommendations. After SPI Committee endorsement, the document will be sent to all institutions for approval and further action. As a sign of all stakeholders' commitment to follow the agreed action plan, a "signing ceremony" could be organized, signifying also the inception of the Steering Committee functioning.

#### **IV- Methodology: from kick off to the accomplishment of the project**

##### **A. First PWG Meeting - November 2008**

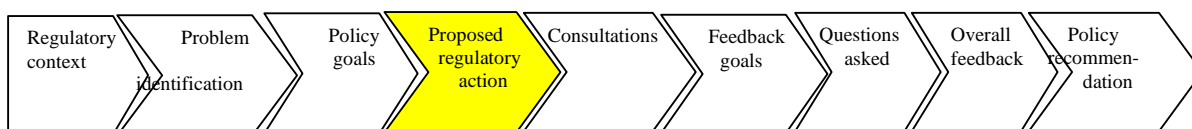
###### ***Preparation of PWG 1<sup>st</sup> meeting (PM/DPM and SPI Secretariat)***



PMG and SPI Secretariat to prepare: a. a background note on current situation. b. a note on international experience.

Output: First Draft of "Scoping of Problem" for PWG discussion

###### ***PWG 1st meeting***



Objectives: to understand the current context and the policy goals;  
to formulate recommendations on policy options/action plan.

Output: Information to complete Impact Assessment Analysis Document (IAAD) 1-4 (scoping the problem and impact analysis) (to be endorsed in PWG 2<sup>nd</sup> meeting)

##### **B. Second PWG Meeting - January 2009**

###### ***Preparation of PWG 2nd meeting (PM/DPM and SPI Secretariat)***

PMG and SPI Secretariat to draft a questionnaire for collecting views on the benefits of the financial education and on the estimated cost of each of the actions.

###### ***PWG 2nd meeting***

Objective: to analyze the impact for users, regulated firms and regulators (cost-benefit analysis)

Output: (a) Endorsement of IAAD (1-4) and (b) Final questionnaire

### **C. Third PWG Meeting – February 2009**



### **PWG 3rd meeting**

Objectives: (a) to endorse Impact Assessment Analysis Document including “Summary Impact Assessment”; b) finalize policy option consultation paper.

Output: IAAD; final policy option consultation paper on IAAD.

### **D. Forth PWG Meeting – March 2009**



### **Preparation of PWG 4<sup>th</sup> meeting (PM/DPM and SPI Secretariat :**

a. Run consultations with stakeholders based on the policy option consultation paper; b. Draft feedback document; c. Draft the final policy document.

### **PWG 4th meeting**

Objective: a) to discuss the consultation feedback document and the policy document and b) to agree on the policy recommendations.

Output: Policy recommendations.

### **Following PWG 4<sup>th</sup> meeting:**

Preparation of the SPI Committee paper.

| <b>The EU Better Regulation Approach</b>     |  |
|--|--|
| <b>Steps</b>                                 | <b>Purpose</b>   |
| <b>Scoping of problem</b>                    |  |
| 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”).             |
| <b>Analysis of impact</b>                    |  |
| 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                |
| <b>Consultations</b>                         |  |
| 9. Data Questionnaire                        | To collect market structure data to feed into cost and benefit analysis                    |
| 10. Policy Document                          | To learn market participant opinions on various policy options                             |
| <b>Conclusion</b>                            |  |
| 11. Final Recommendations                    | Final report to decision-makers, based on Cost Benefit Analysis and market feedback        |