



SPI Project on Improving Consumer Financial Education

Project Objective

To prepare a **national strategy 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.

Project Management Team

Project Owner (PO): Anila Jani, Market Surveillance Director, (METE)

Project Manager (PM): Mamica Dharmo (METE); Ina Kraja (BoA)

Deputy Project Manger (DPM): Brunilda Kostare, AAB; Rinald Guri, AMF.

Minutes

First meeting

January 29, 2009—AAB premises

Attendees: Ina Kraja, BoA (PM)
Mamica Dharmo (PM)
Rinald Guri, AMF (DPM)
Joan Canaj, RB (member)
Ardita Dragusha, PCB (member)
Islam Cani, SHKSH(member)
Anuela Ristani, SPI Albania, Director of Operations

SPI Albania Secretariat

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AGENDA

- I. Welcome Note—SPI Albania Secretariat Project Management Team
- II. Presentation of SPI Albania and Introduction of Participants.
- III. Project Terms of Reference presentation (Discussion and approval)
- IV. Presentation of the Draft Note on International Experience (Discussion and approval)
- V. Presentation of the Scoping of the Problem Document (Discussion and approval)
- VI. Presentation of Bank of Albania Activities
- VII. Conclusions and Distribution of Tasks
- VIII. Closing Remarks

I. Welcome Note and Introduction of the Participants

PMs and SPI Secretariat welcomed all the PWG members and introduced the PMT, and the SPI Albania Secretariat. All members introduced themselves and the institutions they were representing. The PM and present PWG regret the absence of a better representation of the Consumer Associations however they recommend to try enlarging the PWG with representatives from Insurers' Association, Ministry of Education, and Competition Authority. In addition to following up with the abovementioned institutions, SPI Secretariat will also reconfirm the presence of other PWG members not present in the meeting.

II. Presentation of SPI Albania

In order for the PWG members to have a better understanding on the SPI work process and, the SPI Secretariat held a short presentation focusing on the SPI Albania Project management and Methodologies.

The SPI Secretariat presented to the PWG the organizational and Project Management structures that lead all the SPI project initiatives from the conception of the project proposal until the enactment procedures for each project outcome. The partnership is lead by a high level public private Committee with representatives from BoA (First Deputy Governor), AAB (Chairman) and the Head of Convergence Program (World Bank) as well as 3 Permanent Observers (MoF, AMF and Market Surveillance Department-MoE). SPI Secretariat orchestrates different working groups for each SPI Project.

SPI Secretariat presented the role and responsibilities of the PMT and PWG members as well as the role of the Secretariat throughout the entire project process from the initial initiative to enactment monitoring.

The actual work of the PWG is concluded with the SPI Committee approval of the final PWG recommendation. However the PWG members, representing the professional experts for each respective project, will stand ready to participate in further consultations with the stakeholders involved in the enactment process.

III. Project Terms of Reference presentation (Discussion and approval)

SPI Secretariat presented the Project Terms of Reference as the outlining document that will guide the PWG through all the project steps.

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.

While Bank of Albania has been the main actor in the Consumers' Financial Education, the market requires more involvement from independent consumer associations and consumer protection authorities at large.

The proposed objective of the project is to prepare **a national strategy 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.

While the PWG agrees in principle with the objective, the members suggest that part of financial education should be also issues covering insurance (life and property) as well as pension funding alternatives.

In terms of the proposed strategy, the PWG members suggest that more time should be given to other stakeholders to present their activities in CFE or the reasons behind the lack of activities, in order for the PWG to draft concrete and specific solutions in their final recommendations.

With the abovementioned notes taken into account, the PWG approved the Project Terms of References.

IV. Presentation of the Draft Note on International Experience

CFE is a problematic area not only for newly emerging markets such as the Albanian one but for well established ones as well. This is why the international experience on this field provides for a valuable asset in presenting alternative solutions to the lack of financial literacy in for consumers.

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 programs 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 highlight some of the most important criteria for efficient and impacting CFE which include:

- CFE being part of well developed national strategies
- Coordination between public and private actors
- CFE as an integral part of consumer protection actions and regulations
- Suitability and adaptability with the national characteristics and current situation
- Continuous revisions and reviews of the messages and material to be communicated to the consumers
- Combination of various channels, instruments and communication means.
- Awareness should be paid as much attention as the education process per se.
- CFE programs/actions should be measurable in their impact and results in order to be valid and efficient.

The PWG welcomes the information on international experiences as the first step to take when thinking about a national strategy for CFE in Albania. PWG members however suggest that none of the international experiences can be copy pasted without making the necessary adjustments for the Albanian context.

PWG approved the Note on International Experience and suggested to use it as the main reference when drafting the final PWG recommendations.

V. Presentation of the Scoping of the Problem Document (Discussion and approval)

This document analyzes the market, the participants and the regulatory framework that governs this market. The analysis stressed that the regulatory framework has some provisions on 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. There is no regulation on financial

education per se, but consumer education is one of the rights of consumers laid forth by Consumer Protection Law¹.

According to the international experience and best practices, there should be a national strategy to set up the priority of the financial education. EU recommends that a national strategy 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.

BoA has undertaken several initiatives in the banking field, but these were not complemented by private initiatives.

Some of the possible operational actions to achieve the policy goal are:

- Option 1: to set up a national strategy on financial education;
- Option 2: to set up a financial education program;
- Option 3: to promote individual financial education initiatives;
- Option 4: to promote a awareness campaign on the importance of financial education;
- Option 5: to have a structured approach, covering all the above

PWG agrees that none of the first 4 options alone would be effective in answering the need for improving CFE in Albania, therefore they see option 5 as the most probable solution. However, PWG representing consumers associations stressed the fact that, Albanian market is peculiar in many ways: 1. no interaction whatsoever with market economy before 1992, which resulted in unregulated and unethical market practices; 2. an inherited inferiority complex for the consumers who during communism considered the service/product provider as superior and authoritarian (the provider was not serving them, but selling was a highly valued favor); 3. consumer associations and the associations concept in general is not yet powerful and representative for both authorities and consumers.

PWG considers the Scoping of the Problem Document as a very good start towards achieving the objectives and approved it unanimously.

VI. Presentation of Bank of Albania Activities

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

¹ 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)

- system; Bank of Albania's monetary policy instruments and procedures for their execution, etc;
- **on personal financial education:** Students' financial guidebook²; A guide to your first bank account³; 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.

As part of awareness building and educations program BoA has been very active in motivating high school and university students in getting more information on the banking system and products, through regional competitions and Governor's price for the best Senior Thesis for Undergraduate students of Economics, Banking and Finance orientations.

As part of their future plans BoA expects to enlarge and/or diversify the target audiences and add more communication means (media campaigns, internet campaigns and alternative one-to-one marketing tools).

The PWG members considered the presentation as very valuable and encouraged the PWG members (present or not) to make a similar presentation of their activities during the next PWG meeting.

VII. Conclusions and distribution of tasks

- SPI Secretariat will send the meeting minutes and the revised drafts of the documents for final approval to the PWG
- SPI Secretariat will follow up with the confirmed PWG members and the newly suggested PWG members to ensure their attendance during the next PWG meeting.
- PWG members will prepare and send to SPI Secretariat short presentations on their experience in consumer financial education.
- SPI Secretariat will collect individual inputs and will prepare a note on Albanian experience in consumer financial education.
- SPI Secretariat will draft the qualitative impact analysis of improving consumer financial education.

² 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 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.

³ 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.

- Based on international and Albanian experience, PMT with, SPI Secretariat's support, will prepare a first draft of the proposed strategy and education program.

VII. Closing Remarks

The second PWG meeting is preliminarily scheduled to take place in February 2009.